

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

of

**The Educational Services Commission of Morris County
Board of Directors
Morristown, New Jersey**

For the Fiscal Year Ended June 30, 2008

Prepared by

**The Educational Services Commission of Morris County
Board of Directors
Finance Department**

BOARD OF EDUCATION
THE EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTORY SECTION (Unaudited)	
Letter of Transmittal	1-4
Organizational Chart	5
Roster of Officials	6
Consultants and Advisors	7
FINANCIAL SECTION	
INDEPENDENT AUDITOR'S REPORT	
Independent Auditor's Report on Basic Financial Statements and Supplementary Schedules of Expenditures of Federal Awards and State Financial Assistance	10-11
REQUIRED SUPPLEMENTARY INFORMATION – PART I	
Management's Discussion and Analysis (Unaudited)	13-19
BASIC FINANCIAL STATEMENTS	
A. District – wide Financial Statements:	
A-1 Statement of Net Assets	22
A-2 Statement of Activities	23
B. Fund Financial Statements:	
Governmental Funds:	
B-1 Balance Sheet	26
B-2 Statement of Revenues, Expenditures and Changes in Fund Balances	27
B-3 Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	28
Proprietary Funds:	
B-4 Statement of Net Assets	30
B-5 Statement of Revenues, Expenses and Changes in Fund Net Assets	31
B-6 Statement of Cash Flows	32
Fiduciary Funds:	
B-7 Statement of Fiduciary Net Assets	34
B-8 Statement of Changes in Fiduciary Net Assets	N/A
NOTES TO FINANCIAL STATEMENTS	36-57

BOARD OF EDUCATION
THE EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY

TABLE OF CONTENTS
CONTINUED

	<u>Page</u>
REQUIRED SUPPLEMENTARY INFORMATION – PART II	
C. Budgetary Comparison Schedules:	
C-1 Budgetary Comparison Schedule – General Fund	60-62
C-2 Budgetary Comparison Schedule – Special Revenue Fund	63
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION	
C-3 Budget to GAAP Reconciliation	65
OTHER SUPPLEMENTARY INFORMATION	
D. School Level Schedules: Fund Financial Statements:	
D-1 Combining Balance Sheet	N/A
D-2 Blended Resource Fund – Schedule of Expenditures Allocated by Resource Type-Actual	N/A
D-3 Blended Resource Fund – Schedule of Blended Expenditures - Budget and Actual	N/A
E. Special Revenue Fund:	
E-1 Combining Schedule of Program Revenues and Expenditures - Budgetary Basis	69-71
E-2 Demonstrably Effective Program Aid Schedule of Expenditures – Budgetary Basis	N/A
E-3 Early Childhood Program Aid Schedule of Expenditures - Budgetary Basis	N/A
E-4 Distance Learning Network Aid Schedule of Expenditures – Budgetary Basis	N/A
E-5 Instructional Supplement Aid Schedule of Expenditures - Budgetary Basis	N/A
F. Capital Projects Fund:	
F-1 Summary Schedule of Project Expenditures	73
G. Proprietary Funds:	
Enterprise Fund:	
G-1 Combining Statement of Net Assets	N/A
G-2 Combining Statement of Revenues, Expenses and Changes in Fund Net Assets	N/A
G-3 Combining Statement of Cash Flows	N/A
Internal Service Fund:	
G-4 Combining Statement of Net Assets	N/A
G-5 Combining Statement of Revenues, Expenses and Changes in Fund Net Assets	N/A
G-6 Combining Statement of Cash Flows	N/A

BOARD OF EDUCATION
THE EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY

TABLE OF CONTENTS
CONTINUED

	<u>Page</u>
REQUIRED SUPPLEMENTARY INFORMATION –PART II (CONTINUED)	
H. Fiduciary Fund	
H-1 Combining Statement of Fiduciary Net Assets	N/A
H-2 Combining Statement of Changes in Fiduciary Net Assets	N/A
H-3 Student Activity Agency Fund Schedule of Receipts and Disbursements	78
H-4 Payroll Agency Fund Schedule of Receipts and Disbursements	79
I. Long – Term Debt	
I-1 Schedule of Morris County Improvement Authority Bonds	81
I-2 Schedule of Obligation Under Capital Leases	N/A
I-3 Debt Service Fund Budgetary Comparison Schedule	N/A
STATISTICAL SECTION (UNAUDITED)	
J. Financial Trends:	
J-1 Net Assets by Component	83
J-2 Changes in Net Assets	84-85
J-3 Fund Balances – Governmental Funds	86
J-4 Changes in Fund Balances – Governmental Funds	87-88
J-5 General Fund – Other Local Revenue by Source	89
Revenue Capacity:	
J-6 Assessed Value and Estimated Actual Value of Taxable Property	90
J-7 Direct and Overlapping Property Tax Rates	91
J-8 Principal Property Taxpayers	92
J-9 Property Tax Levies and Collections	93
Debt Capacity:	
J-10 Ratios of Outstanding Debt by Type	94
J-11 Ratios of Net General Bonded Debt Outstanding	95
J-12 Direct and Overlapping Governmental Activities Debt as of June 30	96
J-13 Legal Debt Margin Information	97
Demographic and Economic Information:	
J-14 Demographic and Economic Statistics	98
J-15 Principal Employers	99
Operating Information:	
J-16 Full-time Equivalent District Employees by Function/Program	100
J-17 Operating Statistics	101
J-18 School Building Information	102
J-19 Schedule of Required Maintenance for School Facilities	103
J-20 Insurance Schedule	104

BOARD OF EDUCATION
THE EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY

TABLE OF CONTENTS
CONCLUDED

	<u>Page</u>
SINGLE AUDIT SECTION	
K-1 Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with "Government Auditing Standards"	106-107
K-2 Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133 and New Jersey OMB Circular 04-04	108-109
K-3 Schedule of Expenditures of Federal Awards, Schedule A	110
K-4 Schedule of Expenditures of State Financial Assistance, Schedule B	111
K-5 Notes to Schedules of Expenditures of Awards and Financial Assistance	112-113
K-6 Schedules of Findings and Questioned Costs	
Part 1 Summary of Auditor's Results	114-115
Part 2 Schedule of Financial Statement Findings	116
Part 3 Schedule of Federal Awards and State Financial Assistance Findings and Questioned Costs	117
K-7 Summary Schedule of Prior-Year Audit Findings and Questioned Costs as Prepared by Management	118

INTRODUCTORY SECTION

EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY

Angelo A. Vilardi, Ed. D.
Superintendent

Catarina Bilotta, MBA
Business Administrator

P.O. Box 1944 • Morristown • New Jersey 07962-1944

Voice (973) 540-8844 Fax (973) 540-1746

www.escmorris.com

Kathryn F. Lucas, Ed. D.
Director of Special Services

Francis X. Romano
Director of Transportation

December 31, 2008

Honorable President and
Members of the Board of Directors
Educational Services Commission of Morris County
Morristown, New Jersey

Dear Board Members:

The comprehensive annual financial report (CAFR) of the Educational Services Commission of Morris County for the fiscal year ended June 30, 2008 is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of presentation, including all disclosures, rests with the management of the Commission. To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in the manner designed to present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Educational Services Commission of Morris County as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The comprehensive annual financial report is presented in four sections: introductory, financial, statistical and single audit. The introductory section includes this transmittal letter, the Commission's organizational chart and a list of principal officials. The financial section includes the basic financial statements and schedules, as well as the auditor's report thereon. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis. The Commission is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act Amendments of 1996 and the U.S. Office of Management and Budget Circular A-133, "Audits of State and Local Governments and Non-profit Organizations", and the State Treasury Circular Letter 04-04 OMB, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid Payments". Information related to this single audit, including the auditor's report on the internal control structure and compliance with applicable laws and regulations and findings and recommendations, are included in the single audit section of this report.

1) Reporting Entity and Its Services

The Educational Services Commission of Morris County is an independent reporting agency formed by the constituent districts of Morris County within the criteria adopted by the GASB, Statement No. 14. The Commission, its schools, and programs located throughout the County of Morris, constitute the reporting entity.

The Commission provides educational services to districts in Morris County either on a cooperative or a direct service basis. These services include: Cooperative Bid Purchasing; Coordinated Public, Special and Private School Transportation; Member District Bus Leasing; Two Special Education Schools; Child Study Team Services; Shared Business Services; Professional Support Services; Health and Environmental Safety Services; Nonpublic Services; Chapters 192/193 Handicapped and Auxiliary Services, Nursing Services, Textbook Purchase and Processing, and Computer Support Services.

2) Economic Condition and Outlook

The need to develop economies of scale and cost effective measures to control spending amid sparse resources continues to create the demand for the Commission's services and cooperative activities. Our programs and requests for additional types of programs are increasing. Budgeting estimates based on the amount of business we expect to do are increasing each year. As we continue to be receptive to the needs of the districts, we expect to increase our economic condition. A sound infrastructure will enable us to take the lead in developing new and innovative strategies for cost effective programming, which relieves districts of many administrative burdens, and redirect saved resources to needed programs to enhance the quality of education for the children in the community.

3) Major Initiatives

The Park Lake School expansion project has permitted us to meet the demand for additional placements. The ESC has improved the condition of the Regional Day School continue to upgrade the facility. This summer a fire suppression system will be installed by the D.O.E. The ESC's expanded transportation services for member districts continues to provide a valuable district service. We are beginning the development of program options for our students transitioning into adult life, by expanding our programs at Regional Day and Park Lake Schools.

4) Internal Accounting Controls

The Administration of the Commission is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the Commission are protected from loss, theft or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles (GAAP). The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: 1) the cost of a control should not exceed the benefits likely to be derived; and 2) the valuation of costs and benefits requires estimates and judgments by the Administration.

As a recipient of federal and state financial assistance, the Commission is also responsible for ensuring that an adequate internal control structure is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control structure is also subject to periodic evaluation by the Commission Administration.

As part of the Commission's single audit described earlier, tests are made to determine the adequacy of the internal control structure, including that portion related to federal and state financial assistance programs, as well as to determine that the Commission has complied with applicable laws and regulations.

5) Budgetary Controls

In addition to internal accounting controls, the Commission maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by Representative Assembly of the Educational

Services Commission. Annual appropriated budgets are adopted for the general fund, the special revenue fund, and the debt service fund. Project-length budgets are approved for the capital improvements accounted for in the capital projects fund. The final budget amount as amended for the fiscal year is reflected in the financial section.

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either canceled or are included as re-appropriation of fund balance in the subsequent year. Those amounts to be re-appropriated are reported as reservations of fund balance at June 30, 2008.

6) Accounting System and Reports

The Commission's accounting records reflect generally accepted accounting principles, as promulgated by the Governmental Accounting Standards Board (GASB). The accounting system of the ESC is organized on the basis of funds and account groups. These funds and account groups are explained in "Notes to the Financial Statements", Note 1.

7) Debt Administration

The Commission's facility funding agreement with the Morris County Improvement Authority for the issuance of \$4.9 million in bonds to finance old debt and new construction at the Park Lake School will continue for the next several years. The Commission through its fees for services, funds these projects. The ESC continues its funding agreement with the Morris County Improvement Authority for \$1.7 million in bonds to finance busses for use by member districts to meet their transportation needs. The fees collected for this service continue to fund this project.

8) Cash Management

The investment policy of the Commission is guided in large part by state statute as detailed in "Notes to the Financial Statements", Note 2. The Commission has adopted a cash management plan, which requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect Governmental Units from a loss of funds on deposit with a failed banking institution in New Jersey. The law requires governmental units to deposit public funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act.

9) Risk Management

The Board carries various forms of insurance, including but not limited to general liability, automobile liability and comprehensive/ collision, hazard and theft insurance on property and contents, and fidelity bonds.

10) Other Information

Independent Audit - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of VM Associates, Inc., was selected. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of Single Audit Act Amendments of 1996 and the related OMB Circular A-133 and State Treasury Circular Letter 04-04 OMB. The auditor's report on the basic financial statements and combining and individual fund statements and schedules is included in the financial section of this report. The auditor's reports related specifically to the single audit are included in the single audit section of this report.

11) Acknowledgment

We would like to express our appreciation to the members of the Educational Services Commission of Morris County Board of Directors for their commitment in providing fiscal accountability to the citizens and taxpayers of Morris County and thereby contributing their full support to the development and maintenance of our financial operation. The preparation of this report could not have been accomplished without the efficient and dedicated services of our financial and accounting staff.

Respectfully submitted,

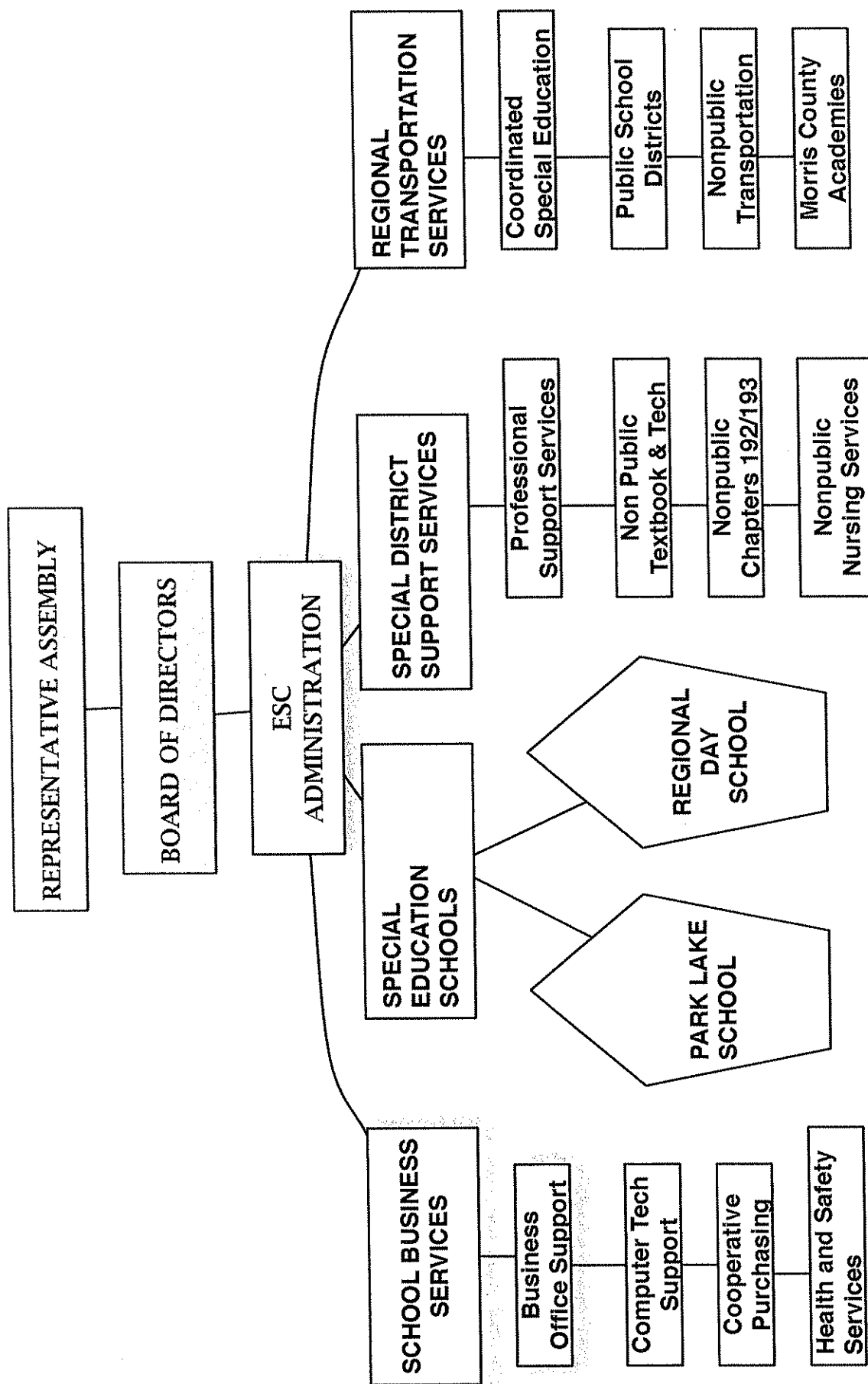


Angelo A. Vilardi
Superintendent



Catarina Bilotta
Business Administrator

EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY CHART OF PROGRAMS AND SERVICE 2008



**Educational Services Commission of Morris County
Morristown, New Jersey**

**ROSTER OF OFFICIALS
2007-2008
Board of Directors**

<u>Members</u>	<u>Term Expires</u>
Debra Erwine, President	2009
Morris Hills Regional Board of Education	
Gabrielle Bohon	2009
Boonton Borough Board of Education	
Michael Bertram	2009
Denville Township Board of Education	
Lou Nazzaro	2009
Lincoln Park Board of Education	
Donald Butterworth	2009
Long Hill Township Board of Education	
George Martin, Vice President	2009
Madison Borough Board of Education	
Paul Breda	2009
Mine Hill Township Board of Education	
Charles Grau	2009
Montville Township Board of Education	
Daniel Amianda	2009
Mt. Olive Township board of Education	
Terri Kaag	2009
Morris Plains Board of Education	
Terri Murphy	2009
Morris School Board of Education	
Alberta Alleva	2009
Pequannock Township Board of Education	
Ruben Fuentes	2009
Rockaway Borough Board of Education	
Robert Dollberg	2009
Wharton Borough Board of Education	
Avis Byfield	2009
Victory Gardens Board of Education	

Administrative Officials

Angelo A. Vilardi, Superintendent
Catarina Bilotta, Business Administrator/Board Secretary
Kathryn Lucas, Director of Special Services
Sheryl Kaufman, Principal, Park Lake School
Elaine Goodman, Principal, Regional Day School
Francis X. Romano, Transportation Director

**Educational Services Commission of Morris County
Morristown, NJ**

CONSULTANTS AND ADVISORS

Audit Firm

Vincent Montanino
VM Associates, Inc.
P. O. Box 397
Mt. Arlington, NJ 07856

Attorney

Paul Green, Esq.
Schwartz, Simon, Edelstein,
Celso and Kessler
44 Whippany Road
Morristown, NJ 07962

Official Depository

Bank of America
Rt. 53
Denville, NJ 07834

Architect

Parette Somjen Architects
7 East Frederick Place
Cedar Knolls, NJ 07927

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

Vincent M. Montanino, RMA, PSA
Michael S. Zambito, CPA, RMA
Antonia Russo, Associate

INDEPENDENT AUDITOR'S REPORT

The Honorable President and
Members of the Board of Education
The Educational Services Commission of Morris County
County of Morris, New Jersey

We have audited the accompanying basic financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Educational Services Commission of Morris County as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Educational Services Commission of Morris County's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and in compliance with audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Educational Services Commission of Morris County as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

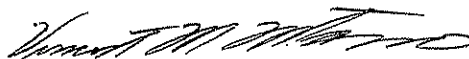
In accordance with Government Auditing Standards, we have also issued our report dated December 23, 2008 on our consideration of the Educational Services Commission of Morris County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

111 Howard Boulevard
Suite 212
P.O. Box 397
Mt. Arlington, NJ 07856
Phone: 973-770-5491
Fax: 973-770-5494
vm_associates@msn.com

The Management's Discussion and Analysis on page 13 through 19 and budgetary comparison information on schedules C-1 and C-2 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our Audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Educational Services Commission of Morris County basic financial statements. The accompanying introductory section, and other supplementary information such as the combining and individual fund financial statements, long-term debt schedules and statistical information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and long-term debt schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical information have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

The accompanying Schedules of Expenditures of Federal Awards and State Financial Assistance are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations; and New Jersey OMB's Circular 04-04, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid, and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.



Vincent M. Montanino
Public School Accountant
License No. CS000495



Michael S. Zambito
Certified Public Accountant
License No. 20CC00789500

December 23, 2008

**REQUIRED SUPPLEMENTARY INFORMATION -
PART I**

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Educational Services Commission of Morris County's (ESC) financial activities for the fiscal year ended June 30, 2008. Please read it in conjunction with the transmittal letter on page 1 and the ESC's financial statements, which begin on page 22.

FINANCIAL HIGHLIGHTS

- The ESC's net assets decreased overall by \$563,595.21 as a result of this year's operations, which when broken down show an decrease of \$839,956.54 in governmental activity and an increase of \$276,261.33 in our business activity.
- Total cost of all of the ESC's programs was \$30,360,306.75 in 2007-2008 compared to \$27,814,392.96 in 2006-2007, demonstrating that we can do more shared services for less.
- During the year, the ESC had expenses for governmental activities that were \$24,610,014.55 compared with the revenue generated by tuition and fees of \$23,770,158.01, yielding the net loss listed above of \$839,956.54.
- It should also be noted that based on the reporting criteria we have decided to use in consultation with our auditor and the Department of Education, the Regional Day School analysis will be included as an enterprise fund and part of the business activity we were using to show our food service and transportation leasing programs.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on pages 22 and 23) provide information about the activities of the ESC as a whole and present a longer-term view on the ESC's finances. Fund financial statements start on page 26. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the ESC's operation in more detail than the government-wide statements by providing information about the ESC's most financially significant funds

Reporting the ESC as a Whole

The Statement of Net Assets and the Statement of Activities

Our analysis of the ESC as a whole begins on page 15. One of the most important questions asked about the ESC's finances is "Is the ESC as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the ESC as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. Accrual of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the ESC's *net assets* and changes in them. You can think of the ESC's net assets, the difference between assets and liabilities, as one way to measure the ESC's financial health, or *financial position*. Over time, *increases or decreases* in the ESC's net assets are one indicator whether its *financial health* is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the ESC's property tax base, and the condition of the ESC's capital assets to assess the overall *health* of the ESC.

In the Statement of Net Assets and the Statement of Activities, we divide the ESC into two kinds of activities:

- **Governmental activities:** most of the ESC's basic services are reported here, including general administration. Local taxes, tuition and state and federal aid finance most of these activities.
- **Business-type-activities:** the ESC has proprietary funds as shown on pages 30, 31 and 32.

Reporting the ESC's Most Significant Funds

Fund Financial Statements

Our analysis of the ESC's major funds begins on page 17. The fund financial statements begin on page 26 and provide detailed information about the most significant funds-not the ESC as a whole. Some funds are required to be established by State law. The ESC's two kinds of funds, governmental and proprietary, use different accounting approaches.

Governmental funds: most of the ESC's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the ESC's general government operations and the basic services it provides. Governmental fund information helps one determine whether there are more or fewer financial resources that can be spent in the near future to finance the ESC's programs. We describe the relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in reconciliation on page 28.

Proprietary funds: when the ESC charges customers for the full cost of the services it provides, these services are reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the ESC's enterprise funds (a component of business type funds) are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.

The ESC as Trustee

Reporting the ESC's Fiduciary Responsibilities

The ESC is the trustee, or *fiduciary*, for the Agency Funds. All of the ESC's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets on page 34. We exclude these activities from the ESC's other financial statements because the ESC cannot use these assets to finance its operations. The ESC is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

THE ESC AS A WHOLE

The ESC's *combined* net assets changed from \$5,006,445.56 a year ago to \$4,442,850.35 this year, looking at the net assets and net expenses of governmental and business-type activities separately, does not specifically identify the true picture of how ESC programs function. The mandatory GASB 34 analysis below focuses on the net assets (Table 1) and changes in net assets (Table 2) of the ESC's governmental and business-type activities as of June 30. But since the ESC does not receive state aid, nor ad valorem taxes, the true measure of the success of the ESC operation of programs of shared services needs to be constructed using a cost efficiency business model, not available through this mandated reporting mechanism.

Table 1
Net Assets

	Governmental		Business-type		Total	
	Activities		Activities		Primary Government	
	2008	2007	2008	2007	2008	2007
Current and Other Assets	\$ 3,187,114.19	\$ 4,417,907.98	\$ 384,292.45	\$ (51,639.38)	\$ 3,571,406.64	\$ 4,366,268.60
Capital Assets	4,902,943.82	4,789,860.06	993,620.37	1,104,141.82	5,896,564.19	5,894,001.88
Total Assets	8,090,058.01	9,207,768.04	1,377,912.82	1,052,502.44	9,467,970.83	10,260,270.48
Long-Term Debt Outstanding	3,699,022.74	4,022,868.66	1,270,000.00	1,490,000.00	4,969,022.74	5,512,868.66
Other Liabilities	56,097.74	10,105.31	-	-	56,097.74	10,105.31
Total Liabilities	3,755,120.48	4,032,973.97	1,270,000.00	1,490,000.00	5,025,120.48	5,522,973.97
Net Assets:						
Invested in Capital Assets, Net						
of Debt	1,352,943.82	929,860.06	(280,134.24)	(390,149.16)	1,072,809.58	539,710.90
Restricted	582,712.63	2,103,108.60	196,281.90	196,281.90	778,994.53	2,299,390.50
Unrestricted (Deficit)	2,399,281.08	2,141,825.41	191,765.16	25,518.75	2,591,046.24	2,167,344.16
Total Net Assets	\$ 4,334,937.53	\$ 5,174,794.07	\$ 107,912.82	\$ (168,348.51)	\$ 4,442,850.35	\$ 5,006,445.56

Net assets of the ESC's governmental activities decreased by 16.2 percent. Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – increased by \$257,455.67. Restricted net assets, those restricted mainly for capital projects decreased by \$1,520,395.97. Both net asset categories benefited from increased economic activity, which resulted in actual revenues exceeding budgeted revenues.

Table 2
Changes in Net Assets

	Governmental		Business-type		Total	
	Activities		Activities		Primary Government	
	2008	2007	2008	2007	2008	2007
Revenues						
Program Revenues:						
Charges for Services	\$ 15,332,647.89	\$ 15,678,527.20	\$ 5,889,450.30	\$ 4,987,061.21	\$ 21,222,098.19	\$ 20,665,588.41
Operating Grants and Contributions	2,912,443.56	2,687,031.86	-	1,522.50	2,912,443.56	2,688,554.36
General Revenues:						
Local Government Units	1,174,292.67	1,034,475.53			1,174,292.67	1,034,475.53
Tuition	4,239,114.23	4,074,371.22			4,239,114.23	4,074,371.22
Transfers			18,248.83	556,673.46	18,248.83	556,673.46
Interest and Investment Earnings	86,458.68	103,918.48	8,983.75	16,015.58	95,442.43	119,934.06
Other General Revenues	25,200.98	60,810.79	109,870.65	107,352.00	135,071.63	168,162.79
Total Revenues:	23,770,158.01	23,639,135.08	6,026,553.53	5,668,624.75	29,796,711.54	29,307,759.83
Program expenses						
Instruction:						
Regular	251,524.18	293,493.61			251,524.18	293,493.61
Special	2,958,997.37	2,698,912.67			2,958,997.37	2,698,912.67
Other Instruction	-	-			-	-
Support Services:						
Tuition	8,130.00	6,530.00			8,130.00	6,530.00
Student and Instruction						
Related Services	2,639,126.82	2,642,622.82			2,639,126.82	2,642,622.82
School Administrative Services	518,722.74	528,872.65			518,722.74	528,872.65
General and Business						
Administrative Services	1,191,497.63	1,147,815.95			1,191,497.63	1,147,815.95
Plant Operations and Maintenance	551,338.91	512,587.35			551,338.91	512,587.35
Pupil Transportation	16,472,428.07	13,913,002.38			16,472,428.07	13,913,002.38
Transfers	18,248.83	556,673.46			18,248.83	556,673.46
Business-type Activities:						
Food Services			75,326.79	75,600.41	75,326.79	75,600.41
Regional Day School			4,624,511.40	4,072,973.10	4,624,511.40	4,072,973.10
Transportation Leasing			1,050,454.01	1,200,454.39	1,050,454.01	1,200,454.39
Special Item - Cancelled Receivable	-	-	-	164,854.17	-	164,854.17
Total Expenses	24,610,014.55	22,300,510.89	5,750,292.20	5,513,882.07	30,360,306.75	27,814,392.96
Increase (Decrease) in Net Assets	\$ (839,856.54)	\$ 1,338,624.19	\$ 276,261.33	\$ 154,742.68	\$ (563,595.21)	\$ 1,493,366.87

THE ESC'S FUNDS**Governmental Activities****Table 3**

Information below compares revenues and expenditures for all governmental fund types for 2007-2008 and 2006-2007.

<u>Revenues by Source:</u>	<u>2007-2008</u>	<u>2006-2007</u>	<u>% Change</u>
Local Government Units	\$ 1,174,292.67	\$ 1,034,475.53	13.52%
Tuition Charges	4,239,114.23	4,074,371.22	4.04%
Transportation Fees	15,332,647.89	15,678,527.20	-2.21%
Interest Earned to Investments	86,458.68	103,918.48	-16.80%
Miscellaneous	25,200.98	60,810.79	-58.56%
Total - Local Sources	20,857,714.45	20,952,103.22	-0.45%
State Sources	2,783,499.56	2,589,288.09	7.50%
Federal Sources	128,944.00	97,743.77	31.92%
Total Revenues	\$ 23,770,158.01	\$ 23,639,135.08	0.55%

<u>Expenditures by Function:</u>	<u>2007-2008</u>	<u>2006-2007</u>	<u>% Change</u>
Current:			
Regular Instruction	\$ 251,524.18	\$ 293,493.61	-14.30%
Special Education	1,903,608.59	1,643,167.84	15.85%
Other Instruction	-	-	0.00%
Support Services and Undistributed Costs:			
Tuition	8,130.00	6,530.00	24.50%
Student and Instruction Related Services	2,163,447.07	2,150,129.93	0.62%
School Administrative Services	315,925.86	326,678.23	-3.29%
General and Business Administrative Services	948,664.65	993,341.19	-4.50%
Plant Operations and Maintenance	522,180.63	483,666.55	7.96%
Pupil Transportation	16,419,769.08	13,860,772.26	18.46%
Employee Benefits	1,998,953.55	1,955,442.51	2.23%
Capital Outlay	496,491.79	446,678.40	11.15%
Total Expenditures	\$ 25,028,695.40	\$ 22,159,900.52	12.95%

ESC's major Enterprise Funds consist of Food Services, Transportation Leasing and the Regional Day School. The basic financial statements for the major funds are included in this report. Because the focus on business-type funds is a cost of service measurement or capital maintenance, we have included these funds in Table 4, which demonstrates return on ending assets and return on ending net assets.

								Regional		
							Food	Day		Transport
							<u>Service</u>	<u>School</u>		<u>Leasing</u>
Total Assets						\$	941.44	\$	15,939.81	\$ 1,361,031.57
Net Assets							941.44		15,939.81	91,031.57
Change in Net Assets							(31.65)		72,838.47	203,454.51
Return on Ending Total Assets							-3.36%		-456.96%	14.95%
Return on Ending Net Assets							-3.36%		-456.96%	223.50%

Capital Assets Table 5

	Governmental		Business-type			
	Activities		Activites		Totals	
	2008	2007	2008	2007	2008	2007
Buildings	\$ 1,750,000.00	\$ 1,750,000.00	\$ -	\$ -	\$ 1,750,000.00	\$ 1,750,000.00
Machinery and Equipment	257,161.00	257,161.00	1,332,029.46	1,332,029.46	1,589,190.46	1,589,190.46
Construction-in-Progress	3,652,349.45	3,465,857.66	-	-	3,652,349.45	3,465,857.66
Subtotal	5,659,510.45	5,473,018.66	1,332,029.46	1,332,029.46	6,991,539.91	6,805,048.12
Accumulated Depreciation	(756,566.63)	(683,158.60)	(338,649.59)	(227,887.64)	(1,095,216.22)	(911,046.24)
Totals	4,902,943.82	4,789,860.06	993,379.87	1,104,141.82	5,896,323.69	5,894,001.88

The ESC's 2008-2009 capital budget anticipates a minimal spending level for capital projects. More detailed information about the ESC capital assets is presented in Note III:C. to the basic financial statements

DEBT

At year – end the ESC had total debt as shown in Table 6. This debt is for the Commission’s acquisition and renovation of the Park Lake School and includes both 1996 and 1999 issues, which were refinanced through the Morris County Improvement Authority in March of 2004. In September of 2005 the Commission financed the acquisition of its buses through the Morris County Improvement Authority in the amount of \$1,700,000.00, which is reflected on the balance sheet of the Business-Type Activities.

Outstanding Debt, at year –end
Table 6

			Governmental	
			Activities	
			2008	2007
Morris County Improvement Authority Bonds			\$ 3,550,000.00	\$ 3,860,000.00
Compensated Absences			149,022.74	162,868.66
			<u>\$ 3,699,022.74</u>	<u>\$ 4,022,868.66</u>

An analysis of ESC Debt is presented in Note IV:B. to the basic financial statements.

BUDGETS

The significant variances between the originally adopted budget for the fiscal year 2007-2008, and the final budget were caused by the treatment of encumbrances that are added to the original budget. In addition, costs for transportation of students decreased, yet the number of routes provided and the number of children on routes increased. This is a higher efficiency of students transported at a lower cost, which artificially gives the appearance of less financial strength, when in fact it provides greater validity to the ESC’s mission of efficient services at lower costs.

CONTACTING THE ESC’S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the ESC’s finances and to show the ESC’s accountability for the money it receives. If you have questions about this report or need additional financial information, contact the School Business Official, Catarina Bilotta, by mail: Box 1944, Morristown, NJ 07962-1944, or by phone: 973-540-8844, Extension 24, or by email: bcatarina@esmorris.com

BASIC FINANCIAL STATEMENTS

SECTION A
DISTRICT – WIDE FINANCIAL STATEMENTS

BOARD OF EDUCATION
THE EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY
Statement of Net Assets
June 30, 2008

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
ASSETS			
Cash and Cash Equivalents	\$ 1,350,206.06	\$ (225,315.57)	\$ 1,124,890.49
Receivables, Net	1,267,324.67	330,574.34	1,597,899.01
Interfund Accounts Receivable	-	-	-
Inventory		941.44	941.44
Restricted assets:			
Cash and Cash Equivalents	569,583.46	278,092.24	847,675.70
Capital Assets, Net (Note III:C.):	<u>4,902,943.82</u>	<u>993,620.37</u>	<u>5,896,564.19</u>
Total Assets	<u>8,090,058.01</u>	<u>1,377,912.82</u>	<u>9,467,970.83</u>
LIABILITIES			
Accounts Payable	-	-	-
Interfunds Payable	-	-	-
Amount Due Other Governmental Units	56,097.74	-	56,097.74
Noncurrent Liabilities (Note IV:B.):			
Due Within One Year	315,000.00	230,000.00	545,000.00
Due Beyond One Year	<u>3,384,022.74</u>	<u>1,040,000.00</u>	<u>4,424,022.74</u>
Total Liabilities	<u>3,755,120.48</u>	<u>1,270,000.00</u>	<u>5,025,120.48</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	1,352,943.82	(280,134.24)	1,072,809.58
Restricted For:			
Capital Projects	379.17	54,279.96	54,659.13
Debt Service	569,583.46	142,001.94	711,585.40
Other Purposes	12,750.00		12,750.00
Unrestricted	<u>2,399,281.08</u>	<u>191,765.16</u>	<u>2,591,046.24</u>
Total Net Assets	<u>\$ 4,334,937.53</u>	<u>\$ 107,912.82</u>	<u>\$ 4,442,850.35</u>

The accompanying Notes to Basic Financial Statements are an integral part of this statement.

BOARD OF EDUCATION
THE EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY
Statement of Activities
For the Year Ended June 30, 2008

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities
Governmental Activities:						
Instruction:	\$ 251,524.18	\$ -	\$ -	\$ -	\$ (251,524.18)	\$ (251,524.18)
Regular	2,958,997.37	-	1,678,093.67	-	(1,280,903.70)	(1,280,903.70)
Special Education						
Other Instruction						
Support Services:						
Tuition	8,130.00				(8,130.00)	(8,130.00)
Student and Instruction Related Services	2,639,126.82		1,048,558.73		(1,590,568.09)	(1,590,568.09)
School Administrative Services	518,722.74		91,535.03		(427,187.71)	(427,187.71)
General and Business Administrative Services	1,191,497.63		94,256.13		(1,097,241.50)	(1,097,241.50)
Plant Operations and Maintenance	551,338.91		-		(551,338.91)	(551,338.91)
Pupil Transportation	16,472,428.07	15,332,647.89	-	-	(1,139,780.18)	(1,139,780.18)
Total Governmental Activities	24,591,765.72	15,332,647.89	2,912,443.56	-	(6,346,674.27)	(6,346,674.27)
Business-type Activities:						
Food Service	75,326.79	15,077.87	-	-	(60,248.92)	(60,248.92)
Regional Day School	4,624,511.40	4,739,277.75	-	-	114,766.35	114,766.35
Transportation Leasing	1,050,454.01	1,135,094.68	-	-	84,640.67	84,640.67
Total Business-type Activities	5,750,292.20	5,899,450.30	-	-	139,158.10	139,158.10
Total Primary Government	\$ 30,342,057.92	\$ 21,222,098.19	\$ 2,912,443.56	\$ -	\$ (6,346,674.27)	\$ (6,207,516.17)
General Revenues:						
Local Government Units					1,174,292.67	1,174,292.67
Tuition (Other Than Special Schools)					4,239,114.23	4,239,114.23
Investment Earnings					86,458.68	8,983.75
Miscellaneous Income					25,200.98	109,870.65
Transfers					(18,248.83)	18,248.83
Total General Revenues, Special Items, Extraordinary Items and Transfers					5,506,817.73	137,103.23
Change in Net Assets					(839,856.54)	276,261.33
Net Assets—Beginning					5,174,794.07	(168,348.51)
Net Assets—Ending					\$ 4,334,937.53	\$ 107,912.82

The accompanying Notes to Basic Financial Statements are an integral part of this statement.

SECTION B
FUND FINANCIAL STATEMENTS

GOVERNMENTAL FUNDS

BOARD OF EDUCATION
THE EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY
Balance Sheet
Governmental Funds
June 30, 2008

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and Cash Equivalents	\$ 1,658,611.11	\$ (329,995.44)	\$ 21,590.39	\$ 1,350,206.06
Investments				-
Interfunds Receivable	21,211.22			21,211.22
Receivables from Other Governments	127,675.21	334,557.98		462,233.19
Tuition Receivable	24,664.94			24,664.94
Transportation Fees Receivable	764,031.56	-		764,031.56
Other	16,394.98			16,394.98
Restricted Cash and Cash Equivalents	-	-	569,583.46	569,583.46
Total Assets	<u>\$ 2,612,589.02</u>	<u>\$ 4,562.54</u>	<u>\$ 591,173.85</u>	<u>\$ 3,208,325.41</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Interfunds Payable	\$ -	\$ -	\$ 21,211.22	\$ 21,211.22
Deferred Revenue				-
Amount Due Other Governmental Units	51,535.20	4,562.54	-	56,097.74
Total Liabilities	<u>51,535.20</u>	<u>4,562.54</u>	<u>21,211.22</u>	<u>77,308.96</u>
Fund Balances:				
Reserved for:				
Encumbrances	12,750.00			12,750.00
Debt Service			569,583.46	569,583.46
Unreserved, Reported in:				
General Fund	2,548,303.82	-		2,548,303.82
Capital Projects Fund	-	-	379.17	379.17
Total Fund Balances	<u>2,561,053.82</u>	<u>-</u>	<u>569,962.63</u>	<u>3,131,016.45</u>
Total Liabilities and Fund Balances	<u>\$ 2,612,589.02</u>	<u>\$ 4,562.54</u>	<u>\$ 591,173.85</u>	

Amounts reported for *governmental activities* in the statement of net assets (A-1) are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$5,659,510.45 and the accumulated depreciation is \$756,566.63 .

4,902,943.82

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds (see Note IV:B.)

(3,699,022.74)

Net assets of governmental activities

\$ 4,334,937.53

The accompanying Notes to Basic Financial Statements are an integral part of this statement.

BOARD OF EDUCATION
THE EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY
Statement of Revenues, Expenditures, And Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2008

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
REVENUES				
Local Sources:				
Local Government Units	\$ 1,174,292.67	\$ -	\$ -	\$ 1,174,292.67
Tuition Charges	4,239,114.23			4,239,114.23
Transportation Fees	15,332,647.89			15,332,647.89
Interest Earned on Investments	59,940.61		26,518.07	86,458.68
Miscellaneous	25,200.98	-	-	25,200.98
Total - Local sources	20,831,196.38	-	26,518.07	20,857,714.45
State Sources	755,863.11	2,027,636.45		2,783,499.56
Federal Sources	-	128,944.00	-	128,944.00
Total Revenues	<u>21,587,059.49</u>	<u>2,156,580.45</u>	<u>26,518.07</u>	<u>23,770,158.01</u>
EXPENDITURES				
Current:				
Regular Instruction	251,524.18			251,524.18
Special Education Instruction	1,150,100.79	753,507.80		1,903,608.59
Support Services and Undistributed Costs:				
Tuition	8,130.00			8,130.00
Student and Instruction Related Services	823,874.16	1,339,572.91		2,163,447.07
School Administrative Services	315,925.86			315,925.86
General and Business Administrative Services	948,664.65			948,664.65
Plant Operations and Maintenance	522,180.63			522,180.63
Pupil Transportation	16,419,769.08			16,419,769.08
Unallocated Benefits	1,935,453.81	63,499.74		1,998,953.55
Capital Outlay	339,691.62	-	156,800.17	496,491.79
Total Expenditures	<u>22,715,314.78</u>	<u>2,156,580.45</u>	<u>156,800.17</u>	<u>25,028,695.40</u>
Excess (Deficiency) of Revenues				
Over Expenditures	<u>(1,128,255.29)</u>	<u>-</u>	<u>(130,282.10)</u>	<u>(1,258,537.39)</u>
OTHER FINANCING SOURCES AND (USES)				
Transfers In	9,122.34			9,122.34
Transfers (Out)	<u>(18,248.83)</u>	<u>-</u>	<u>(9,122.34)</u>	<u>(27,371.17)</u>
Total Other Financing Sources and (Uses)	<u>(9,126.49)</u>	<u>-</u>	<u>(9,122.34)</u>	<u>(18,248.83)</u>
Net Change in Fund Balances	(1,137,381.78)	-	(139,404.44)	(1,276,786.22)
Fund Balance—July 1	3,698,435.60	-	709,367.07	4,407,802.67
Fund Balance—June 30	<u>\$ 2,561,053.82</u>	<u>\$ -</u>	<u>\$ 569,962.63</u>	<u>\$ 3,131,016.45</u>

The accompanying Notes to Basic Financial Statements are an integral part of this statement.

BOARD OF EDUCATION
THE EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2008

Total net change in fund balances - governmental funds (from B-2) **\$ (1,276,786.22)**

Amounts reported for governmental activities in the statement of activities (A-2) are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

This is the amount by which capital outlays exceeded depreciation in the period.

Depreciation expense	\$ (73,408.03)	
Capital outlays	<u>186,491.79</u>	113,083.76

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets and is not reported in the statement of activities. 310,000.00

Proceeds from debt issues are a financing source in the governmental funds. They are not revenue in the statement of activities; issuing debt increases long-term liabilities in the statement of net assets.

Proceeds of long-term debt	-
Capital lease proceeds	-

In the statement of activities, only the gain on the disposal of capital assets is reported, whereas in the governmental funds, the proceeds from a sale increase financial resources. Thus, the change in net assets will differ from the change in fund balance by the cost of the asset removed. (-)

In the statement of activities, interest on long-term debt in the statement of activities is accrued, regardless of when due. In the governmental funds, interest is reported when due. The difference in accrued interest is an addition in the reconciliation. (+)

Interest paid	-
Interest accrued	<u>-</u>

In the statement of activities, certain operating expenses, e.g., compensated absences (vacations and unused sick pay) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amount exceeds the paid amount, the difference is reduction in the reconciliation (-); when the paid amount exceeds the earned amount the difference is an addition in the reconciliation (+). 13,845.92

Revenues in the statement of activities which do not provide current financial resources are not reported as revenues in the funds. (+)

Change in net assets of governmental activities	<u>\$ (839,856.54)</u>
--	-------------------------------

The accompanying Notes to Basic Financial Statements are an integral part of this statement.

PROPRIETARY FUNDS

BOARD OF EDUCATION
THE EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY
Statement of Net Assets
Proprietary Funds
June 30, 2008

	Business-type Activities - Enterprise Funds				
	Regional Day		Food	Transportation	
	Food	Operating	Service	Leasing	Totals
	Service		ESC		
ASSETS					
Current Assets:					
Cash and Cash Equivalents	\$ -	\$(147,695.97)	\$ -	\$ (77,619.60)	\$(225,315.57)
Accounts Receivable	-	159,881.17	-	170,693.17	330,574.34
Interfund Accounts Receivables			-		-
Inventories	468.48	-	472.96	-	941.44
Restricted Cash and Cash Equivalents	-	-	-	278,092.24	278,092.24
Total Current Assets	<u>468.48</u>	<u>12,185.20</u>	<u>472.96</u>	<u>371,165.81</u>	<u>384,292.45</u>
Noncurrent Assets:					
Furniture, Machinery and Equipment		6,436.46	5,772.00	1,319,821.00	1,332,029.46
Less Accumulated Depreciation	-	(2,681.85)	(5,772.00)	(329,955.24)	(338,409.09)
Total Noncurrent Assets	-	3,754.61	-	989,865.76	993,620.37
Total Assets	<u>468.48</u>	<u>15,939.81</u>	<u>472.96</u>	<u>1,361,031.57</u>	<u>1,377,912.82</u>
LIABILITIES					
Current Liabilities:					
Accounts Payable	-	-	-	-	-
Amount Due Other Governmental Units		-			-
Interfund Accounts Payable	-	-	-	-	-
Total Current Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Noncurrent Liabilities:					
Due Within One Year				230,000.00	230,000.00
Due Beyond One Year	-	-	-	1,040,000.00	1,040,000.00
Total Noncurrent Liabilities	-	-	-	1,270,000.00	1,270,000.00
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,270,000.00</u>	<u>1,270,000.00</u>
NET ASSETS					
Invested in Capital Assets, Net of Related Debt				(280,134.24)	(280,134.24)
Restricted For:					
Capital Projects				54,279.96	54,279.96
Noncurrent Liabilities				142,001.94	142,001.94
Unrestricted	<u>468.48</u>	<u>15,939.81</u>	<u>472.96</u>	<u>174,883.91</u>	<u>191,765.16</u>
Total Net Assets	<u>\$468.48</u>	<u>\$ 15,939.81</u>	<u>\$ 472.96</u>	<u>\$ 91,031.57</u>	<u>\$ 107,912.82</u>

The accompanying Notes to Basic Financial Statements are an integral part of this statement.

BOARD OF EDUCATION
THE EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2008

	Business-type Activities - Enterprise Funds				
	Regional Day		Food	Transportation	
	Food	Operating	Service	Leasing	Totals
	Service		ESC		
Operating Revenues:					
Charges for Services:					
Daily Sales - Reimbursable Programs	\$ -	\$ -	\$ 8,107.20	\$ -	\$ 8,107.20
Daily Sales - Non-reimbursable Programs	5,733.26				5,733.26
Special Function Sales	-				
Program Fees		4,739,277.75		1,135,094.68	5,874,372.43
Miscellaneous	1,237.41	-	-	109,870.65	111,108.06
Total Operating Revenues	6,970.67	4,739,277.75	8,107.20	1,244,965.33	5,999,320.95
Operating Expenses:					
Cost of Sales	12,009.59	-	6,934.24		18,943.83
Salaries	25,114.74	3,236,912.00	8,979.00	171,571.76	3,442,577.50
Employee Benefits	3,760.91	1,015,530.31	1,344.59	140,528.07	1,161,163.88
Purchased Property Service	2,100.00		6,825.00		8,925.00
Other Purchased Professional Services	5,378.23	26,533.88	1,520.86		33,432.97
Cleaning, Repair and Maintenance Services		49,729.92			49,729.92
Rentals				146,534.43	146,534.43
Other Purchased Services		65,216.38		101,138.35	166,354.73
Utilities		137,851.35		36,590.47	174,441.82
General Supplies		78,246.55		336,737.31	414,983.86
Miscellaneous Expenditures	624.06	13,954.64	735.57	7,368.54	22,682.81
Depreciation	-	536.37	-	109,985.08	110,521.45
Total Operating Expenses	48,987.53	4,624,511.40	26,339.26	1,050,454.01	5,750,292.20
Operating Income (Loss)	(42,016.86)	114,766.35	(18,232.06)	194,511.32	249,028.75
Nonoperating Revenues (Expenses):					
Interest and Investment Revenue	40.56			8,943.19	8,983.75
Miscellaneous Expense	-	-	-	-	-
Total Nonoperating Revenues (Expenses)	40.56	-	-	8,943.19	8,983.75
Income (Loss) Before Contributions and Transfers	(41,976.30)	114,766.35	(18,232.06)	203,454.51	258,012.50
Transfers In (Out)	41,927.88	(41,927.88)	18,248.83	-	18,248.83
Change in Net Assets	(48.42)	72,838.47	16.77	203,454.51	276,261.33
Total Net Assets—Beginning	516.90	(56,898.66)	456.19	(112,422.94)	(168,348.51)
Total Net Assets—Ending	\$ 468.48	\$ 15,939.81	\$ 472.96	\$ 91,031.57	\$ 107,912.82

The accompanying Notes to Basic Financial Statements are an integral part of this statement.

BOARD OF EDUCATION
THE EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2008

	Business-type Activities -				
	Enterprise Funds				Totals
	Food Service	Regional Day Operating	Food Service ESC	Transportation Leasing	
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts From Customers	\$ 6,970.67	\$ 4,811,329.98	\$ 8,107.20	\$ 1,209,012.20	\$ 6,035,420.05
Payments To Employees		(3,236,912.00)	(8,979.00)	(171,571.76)	(3,417,462.76)
Payments For Employee Benefits		(1,015,530.31)	(1,344.59)	(140,528.07)	(1,157,402.97)
Payments To Suppliers	(48,939.11)	(371,532.72)	(16,032.44)	(628,369.10)	(1,064,873.37)
Net Cash Provided By (Used For) Operating Activities	(41,968.44)	187,354.95	(18,248.83)	268,543.27	395,680.95
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
State Sources					-
Federal Sources					-
Operating Subsidies and Transfers To/From Other Funds	41,927.88	(41,927.88)	18,248.83	-	18,248.83
Net Cash Provided By (Used For) Non-capital Financing Activities	41,927.88	(41,927.88)	18,248.83	-	18,248.83
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Lease Purchase Principle	-	-	-	(220,000.00)	(220,000.00)
Net Cash (Used For) Capital and Related Financing Activities	-	-	-	(220,000.00)	(220,000.00)
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest and Dividends	40.56	-	-	8,943.19	8,983.75
Net Cash Provided By (Used For) Investing Activities	40.56	-	-	8,943.19	8,983.75
Net Increase (Decrease) in Cash and Cash Equivalents	-	145,427.07	-	57,486.46	202,913.53
Balances—Beginning of Year	-	(293,123.04)	-	142,986.18	(150,136.86)
Balances—End of Year	\$ -	\$ (147,695.97)	\$ -	\$ 200,472.64	\$ 52,776.67
Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities:					
Operating Income (Loss)	\$ (42,016.86)	\$ 114,766.35	\$ (18,232.06)	\$ 194,511.32	\$ 249,028.75
Adjustments To Reconcile Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities:					
Depreciation and Net Amortization		536.37	-	109,985.08	110,521.45
(Increase) Decrease in Accounts Receivable, Net	-	72,052.23	-	(35,953.13)	36,099.10
(Increase) Decrease in Inventories	48.42		(16.77)		31.65
Increase (Decrease) in Accounts Payable	-	-	-	-	-
Total Adjustments	48.42	72,588.60	(16.77)	74,031.95	146,652.20
Net Cash Provided By (Used For) Operating Activities	\$ (41,968.44)	\$ 187,354.95	\$ (18,248.83)	\$ 268,543.27	\$ 395,680.95

The accompanying Notes to Basic Financial Statements are an integral part of this statement.

FIDUCIARY FUNDS

**BOARD OF EDUCATION
THE EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2008**

	Agency Fund
ASSETS	
Cash and Cash Equivalents	<u>\$ 16,238.72</u>
Total Assets	<u>\$ 16,238.72</u>
LIABILITIES	
Payable to Student Groups	\$ 4,844.35
Payroll Deductions and Withholdings	<u>11,394.37</u>
Total Liabilities	<u>\$ 16,238.72</u>

The accompanying Notes to Basic Financial Statements are an integral part of this statement.

NOTES TO BASIC FINANCIAL STATEMENTS

BOARD OF EDUCATION
THE EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2008

Note I: Summary of Significant Accounting Policies

A. Basis of Presentation

The financial statements of the Board of Education (Board) of the Educational Services Commission of Morris County (Commission) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Commission is required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. Although the Commission has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the Commission has chosen not to do so. The more significant accounting policies established in GAAP and used by the Commission are discussed below.

In June 1999, the GASB issued Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments. This Statement established new financial reporting requirements for state and local governments throughout the United States. It required new information and restructuring much of the information that governments had presented in the past. The Commission began implementing these standards for the fiscal year ending June 30, 2003.

Other GASB Statements were also required to be implemented in conjunction with GASB Statements No. 34. Therefore, the Commission implemented for the fiscal year ending June 30, 2003, Statement No. 37 – Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus, and Statement No. 38 – Certain Financial Statement Note Disclosures.

B. Reporting Entity

The Educational Services Commission of Morris County is an instrumentality of the State of New Jersey, established to function as an educational institution. The Board consists of appointed officials and is responsible for the fiscal control of the Commission. A superintendent is appointed by the Board and is responsible for the administrative control of the Commission.

BOARD OF EDUCATION
THE EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2008
(CONTINUED)

Note I: Summary of Significant Accounting Policies (Continued)

B. Reporting Entity (Continued)

The primary criterion for including activities within the Commission's reporting entity, as set forth in Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, is the degree of oversight responsibility maintained by the Commission. Oversight responsibility includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters. The combined financial statements include all funds of the Commission over which the Board exercises operating control. The operations of the Commission include a special education and alternative school located in Morristown. There were no additional entities required to be included in the reporting entity under the criteria as described above, in the current fiscal year. Furthermore, the Commission is not includable in any other reporting entity on the basis of such criteria.

C. Basic Financial Statements- Government-Wide Statements

The statement of net assets and the statement of activities display information about the Commission. These statements include the financial activities of the Commission, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the governmental and business-type activities of the Commission. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the Commission and for each function of the Commission's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

D. Basic Financial Statements- Fund Financial Statements

The financial transactions of the Commission are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

BOARD OF EDUCATION
THE EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2008
(CONTINUED)

Note I: Summary of Significant Accounting Policies (Continued)

D. Basic Financial Statements- Fund Financial Statements (Continued)

The following fund types are used by the Commission:

Governmental Fund Types

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the Commission:

General Fund – The general fund is the general operating fund of the Commission. It is used to account for all financial resources except those required to be accounted for in another fund. Included are certain expenditures for vehicles and movable instructional or noninstructional equipment which are classified in the Capital Outlay subfund.

As required by the New Jersey State Department of Education, the Commission includes budgeted Capital Outlay in this fund. Generally accepted accounting principles as they pertain to governmental entities state that General Fund resources may be used to directly finance capital outlays for long-lived improvements as long as the resources in such cases are derived exclusively from unrestricted revenues.

Resources for budgeted capital outlay purposes are normally derived from State of New Jersey Aid, district taxes and appropriated fund balance. Expenditures are those that result in the acquisition of or additions to fixed assets for land, existing buildings, improvements of grounds, construction of buildings, additions to or remodeling of buildings and the purchase of built-in equipment. These resources can be transferred from and to Current Expense by board resolution.

Special Revenue Fund – The Special Fund is used to account for the proceeds of specific revenue from State and Federal Government, (other than major capital projects, Debt Service or the Enterprise Funds) and local appropriations that are legally restricted to expenditures for specified purposes.

Capital Projects Fund – The Capital Projects Fund is used to account for all financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds). The financial resources are derived from temporary notes or serial bonds that are specially authorized by the voters as a separate question on the ballot either during the annual election or at a special election.

BOARD OF EDUCATION
THE EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2008
(CONTINUED)

Note I: Summary of Significant Accounting Policies (Continued)

D. Basic Financial Statements- Fund Financial Statements (Continued)

Proprietary Fund Type

The focus of Proprietary Fund measurement is upon determination of net income, changes in net assets, financial position and cash flows. The accounting principles generally accepted in the United States applicable are those similar to businesses in the private sector. The following is a description of the Proprietary Funds of the Commission:

Enterprise Funds – The Enterprise Funds are utilized to account for operations that are financed and operated in a manner similar to private business enterprises – where the intent of the Commission is that the costs (i.e. expenses including depreciation and indirect costs) of providing goods or services to the students on a continuing basis be financed or recovered primarily through user charges; or, where the Commission has decided that the periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

The Commission's Enterprise Funds are comprised of the Food Service Fund, Regional Day School, and Transportation Leasing operations.

Depreciation of all exhaustive fixed assets used by proprietary funds is charged as an expense against their operations. Accumulated depreciation is reported on proprietary fund balance sheets. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Food Service Fund:	
Equipment	12 Years

Transportation Leasing:	
Vehicles	12 Years

Fiduciary Fund Types

Fiduciary Funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support Commission programs. The reporting focus is on net assets and changes in net assets and are reported using accounting principles similar to proprietary funds.

The Commission's fiduciary funds are presented in the fiduciary fund financial statements by type (private purpose and agency). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, pension participants, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

BOARD OF EDUCATION
THE EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2008
(CONTINUED)

Note I: Summary of Significant Accounting Policies (Continued)

E. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the Commission gives (or receives) value without directly receiving (or giving) equal value in exchange, include state and federal aid, grants entitlements and donations.

Government funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The Commission considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments and compensated absences which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

F. Budgets/Budgetary Control

Annual appropriated budgets are prepared in the spring of each year for the general and special revenue funds. The budgets are submitted to the county office. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. All budget amendments must be approved by School Board resolution. The significant budget transfers and amendments approved in the school year are presented on Exhibit C-1.

BOARD OF EDUCATION
THE EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2008
(CONTINUED)

Note I: Summary of Significant Accounting Policies (Continued)

F. Budgets/Budgetary Control (Continued)

Formal budgetary integration into the accounting system is employed as a management control device during the year. For governmental funds there are no substantial differences between the budgetary basis of accounting and generally accepted accounting principles with the exception of legally mandated revenue recognition of the last state aid payment for budgetary purposes only and the special revenue fund as noted below. Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental fund types. Unencumbered appropriations lapse at fiscal year end.

The accounting records of the special revenue fund are maintained on the grant accounting budgetary basis. The grant accounting budgetary basis differs from GAAP in that the grant accounting budgetary basis recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not. Sufficient supplemental records are maintained to allow for the presentation of GAAP basis financial reports.

The special revenue fund had no encumbrances at June 30, 2008.

Open encumbrances in the special revenue fund for which the Commission has received advances are reflected in the balance sheet as deferred revenues at fiscal year end.

The reconciliation of the general and special revenue funds from the budgetary basis of accounting to the GAAP basis of accounting is presented on Exhibit C-3.

BOARD OF EDUCATION
THE EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2008
(CONTINUED)

Note I: Summary of Significant Accounting Policies (Continued)

G. Assets, Liabilities and Fund Equity

1. Deposits and Investments

Deposits are cash and cash equivalents including petty cash, change funds, cash in banks and all highly liquid investments with a maturity of three months or less at the time of purchase and are stated at cost plus accrued interest. Other than Certificates of Deposit, deposits with maturities of greater than three months are considered to be Investments. U.S. Treasury and Agency Obligations and Certificates of Deposit with maturities of one year or less when purchased are stated at cost. All other investments are stated at fair value.

New Jersey School Commissions are limited as to the types of investments and types of financial institutions they may invest in. New Jersey statute 18A:20-37 provides a list of permissible investments that may be purchased by New Jersey School Commissions.

2. Short – term Interfund Receivables/Payables

Short – term interfund receivables/payables represents amounts that are owed, other than charges for goods or services rendered to/from a particular fund in the Commission and that are due within one year.

3. Inventories

Inventories, which benefit future periods, other than those recorded in the enterprise fund are recorded as expenditure during the year of purchase.

Enterprise fund inventories are valued at cost, which approximates market, using the first-in–first-out (FIFO) method.

4. Capital Assets

Capital assets purchased or acquired with an original cost of \$2,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on the following assets is provided on the straight – line basis over the following estimated useful lives:

Buildings	20-50 years
Machinery and Equipment	5-10 years
Land Improvements	10-20 years
Other Infrastructure	10-50 years

Land and Construction in Progress are not depreciated.

BOARD OF EDUCATION
THE EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2008
(CONTINUED)

Note I: Summary of Significant Accounting Policies (Continued)

G. Assets, Liabilities and Fund Equity (Continued)

4. Capital Assets (Continued)

GASBS No. 34 requires the Commission to report and depreciate new infrastructure assets effective with the beginning of the current year. Neither their historical cost nor related depreciation has historically been reported in the financial statements. The retroactive reporting of infrastructure is subject to an extended implementation period and is first effective for fiscal years ending in 2006.

5. Compensated Absences

Compensated absences are those absences for which employees will be paid, such as vacation, sick leave, and sabbatical leave. A liability for compensated absences that are attributable to services already rendered, and that are not contingent on a specific event that is outside the control of the Commission and its employees, is accrued as the employees earn the rights to the benefits. Compensated absences that relate to future services, or that are contingent on a specific event that is outside the control of the Commission and its employees, are accounted for in the period in which such services are rendered or in which such events take place.

In governmental funds, compensated absences that are expected to be liquidated with expendable available financial resources are reported as an expenditure and fund liability in the fund that will pay for the compensated absences. The noncurrent portion (the amount estimated to be used in subsequent fiscal years) for governmental funds is maintained separately and represents a reconciling item between the fund and government – wide presentations. (See Note IX)

6. Deferred Revenue

Deferred revenue in the special revenue fund represents cash which has been received but not yet earned. See Note I(F) regarding the special revenue fund.

BOARD OF EDUCATION
THE EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2008
(CONTINUED)

Note I: Summary of Significant Accounting Policies (Continued)

G. Assets, Liabilities and Fund Equity (Continued)

7. Long – term Obligations

Long – term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the capital projects fund for payment early in the following year. For other long – term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The noncurrent portion (the amount estimated to be used in subsequent fiscal years) for governmental funds is maintained separately and represents a reconciling item between the fund and government – wide presentations.

8. Fund Equity

Contributed capital represents the amount of fund capital contributed to the proprietary funds from other funds. Reserves represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use. Designated fund balances represent plans for future use of financial resources.

9. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reports, amounts and disclosures. Accordingly, actual results could differ from those estimates

BOARD OF EDUCATION
THE EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2008
(CONTINUED)

Note II: Reconciliation of Government Wide and Fund Financial Statements

Explanation of Differences between Governmental Funds Balance Sheet and the Statement of Net Assets

"Total fund balances" of the District's governmental funds in B-1 differs from "net assets" of governmental activities reported in the statement of net assets in A-1. This difference primarily results from the long - term economic focus of the statement of net assets versus the current financial resources focus of the governmental fund balance sheets.

<u>Balance Sheet/Statement of Net Assets</u>				<u>Statement of Net Assets Totals</u>
<u>Assets</u>	<u>Total Governmental Funds</u>	<u>Long - term Assets Liabilities (1)</u>	<u>Reclassifications and Eliminations</u>	
Cash and Cash Equivalents	\$ 1,350,206.06	\$ -	\$ -	\$ 1,350,206.06
Receivables, Net			1,267,324.67	1,267,324.67
Interfund Receivables	21,211.22		(21,211.22)	-
Receivables from Other Governments	462,233.19		(462,233.19)	-
Tuition Receivable	24,664.94		(24,664.94)	-
Transportation Fees Receivables	764,031.56		(764,031.56)	-
Other	16,394.98		(16,394.98)	-
Restricted Assets:				
Cash and Cash Equivalents	569,583.46			569,583.46
Capital Assets, Net	-	4,902,943.82	-	4,902,943.82
Total Assets	<u>\$ 3,208,325.41</u>	<u>\$ 4,902,943.82</u>	<u>\$ (21,211.22)</u>	<u>\$ 8,090,058.01</u>
<u>Liabilities</u>				
Interfunds Payable	\$ 21,211.22	\$ -	\$ (21,211.22)	\$ -
Other	56,097.74			56,097.74
Noncurrent Liabilities	-	3,550,000.00	149,022.74	3,699,022.74
Total Liabilities	<u>77,308.96</u>	<u>3,550,000.00</u>	<u>127,811.52</u>	<u>3,755,120.48</u>
<u>Fund Balances/Net Assets</u>				
<u>Net Assets</u>				
Invested in Capital Assets, Net of Related Debt		1,352,943.82		1,352,943.82
Restricted for:				
Capital Projects	379.17			379.17
Debt Service	569,583.46			569,583.46
Other Purposes	12,750.00			12,750.00
Unrestricted - General Fund	2,548,303.82	-	(149,022.74)	2,399,281.08
Total Fund Balances/Net Assets	<u>3,131,016.45</u>	<u>1,352,943.82</u>	<u>(149,022.74)</u>	<u>4,334,937.53</u>
Total Liabilities and Fund Balances/Net Assets	<u>\$ 3,208,325.41</u>	<u>\$ 4,902,943.82</u>	<u>\$ (21,211.22)</u>	<u>\$ 8,090,058.01</u>

1. When Capital Assets (land, buildings, equipment) that are to be used in governmental activities are purchased or constructed, the cost of those assets are reported as expenditures in governmental funds. However, the statement of net assets includes those capital assets among the assets of the District as a whole.

Cost of Capital Assets	\$5,659,510.45
Accumulated Depreciation	(756,566.63)
	<u>\$4,902,943.82</u>

Long - term liabilities applicable to the District's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities - both current and long - term are reported in the statement of net assets.

Certificates of Participation	\$3,550,000.00
Compensated Absences	149,022.74
	<u>\$3,699,022.74</u>

BOARD OF EDUCATION
THE EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2008
(CONTINUED)

Note II: Reconciliation of Government Wide and Fund Financial Statements (Continued)

Explanation of Differences between Governmental Funds Operating Statement of Activities

The "net change in fund balances" for governmental funds in B-2 differs from the "change in net assets" for governmental activities reported in the statement of activities in A-2. The difference arise primarily for the long - term economic focus of the statement of activities versus the current financial resources focus of the governmental funds. The effect of the differences is illustrated below.

	<u>Statement of Revenues, Expenditures, and Changes in Fund Balance/Statement of Activities</u>					<u>Statement of Activities Totals</u>
<u>Revenues and Other Sources</u>	<u>Total Governmental Funds</u>	<u>Long - term Revenue, Expenses (2)</u>	<u>Capital Related Items (3)</u>	<u>Long - term Debt Transactions (4)</u>	<u>Reclassifications and Eliminations (5)</u>	
Local Government Units	\$ 1,174,292.67	\$ -	\$ -	\$ -	\$ -	\$ 1,174,292.67
Tuition Charges	4,239,114.23					4,239,114.23
Transportation Fees	15,332,647.89					15,332,647.89
Interest Earned on Investments	86,458.68					86,458.68
Miscellaneous	25,200.98					25,200.98
State Sources	2,783,499.56					2,783,499.56
Federal Sources	128,944.00	-	-	-	-	128,944.00
Total	<u>\$23,770,158.01</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 23,770,158.01</u>
<u>Expenditures</u>						
Current:						
Regular Instruction	\$ 251,524.18	\$ -	\$ -	\$ -	\$ -	\$ 251,524.18
Special Education	1,903,608.59		46,562.40	(17,635.00)	1,026,461.38	2,958,997.37
Support Services and Undistributed Costs:						
Tuition	8,130.00					8,130.00
Student and Instruction Related Services	2,163,447.07				475,679.75	2,639,126.82
School Administrative Services	315,925.86			(250.00)	203,046.88	518,722.74
General and Business Administrative Services	948,664.65		26,845.63	4,039.08	211,948.27	1,191,497.63
Plant Operations and Maintenance	522,180.63				29,158.28	551,338.91
Pupil Transportation	16,419,769.08				52,658.99	16,472,428.07
Unallocated Benefits	1,998,953.55				(1,998,953.55)	-
Capital Outlay	496,491.79	-	(186,491.79)	(310,000.00)	-	-
Total	<u>25,028,695.40</u>	<u>-</u>	<u>(113,083.76)</u>	<u>(323,845.92)</u>	<u>-</u>	<u>24,591,765.72</u>
Other Financing Uses/Changes in Net Assets:						
Net Transfers to(from) Other Funds	(18,248.83)					(18,248.83)
Bonds Proceeds	-				-	-
Total	<u>(18,248.83)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(18,248.83)</u>
Net Change for the Year	<u>\$ (1,276,786.22)</u>	<u>\$ -</u>	<u>\$ 113,083.76</u>	<u>\$ 323,845.92</u>	<u>\$ -</u>	<u>\$ (839,856.54)</u>

2. In the statement of activities, interest on long - term debt in the statement of activities is accrued, regardless of when due. In the governmental funds, interest is reported when due. The accrued interest is an addition in the reconciliations. (+)

\$ -

3. Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount which capital outlays exceeded depreciation in the period.

Depreciation Expense	\$ (73,408.03)
Capital Outlays	186,491.79
	<u>\$ 113,083.76</u>

4. In the statement of activities, certain operating expenses, e.g. compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amount exceeds the paid amount, the difference is reduction in the reconciliation (-); when the paid amount exceeds the earned amount the differences is an addition to the reconciliation (+).

\$ 13,845.92

4. Payment of long-term liability principal is an expenditure in the government funds, but the payment reduces long - term liabilities in the statement of net assets and is not reported in the statement of activities.

Debt Principal	310,000.00
	<u>\$ 323,845.92</u>

5. Allocate Benefits expenditures

BOARD OF EDUCATION
THE EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2008
(CONTINUED)

Note III: Detailed Disclosure Regarding Assets and Revenues

A. Deposits and Investments

Deposits

New Jersey statutes permit the deposit of public funds in institutions located in New Jersey which are insured by the Federal Deposit Insurance Corporation (FDIC), the Savings Association Insurance Fund, or by any other agencies of the United States that insure deposits or the State of New Jersey Cash Management Fund.

N.J.S.A. 17:9-41 et. Seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a public depository unless such funds are secured in accordance with the Governmental Unit Deposit Protection Act (G.U.D.P.A.). Public depositories include Savings and Loan institutions, banks (both state and national banks) and savings banks the deposits of which are federally insured. All public depositories must pledge collateral, having a market value at least equal to five percent of the average daily balance of collected public funds, to secure the deposits of Governmental Units. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the full amount of their deposits to the Governmental Units.

At June 30, 2008 the Educational Services Commission of Morris County's cash and cash equivalent's amounted to \$4,060,543.39. Of this amount, \$100,000.00 was covered by federal depository insurance (F.D.I.C.) and \$3,139,151.84 was covered by a collateral pool maintained by the banks as required by GUDPA. The amount of \$821,391.55 was on deposit with the Bank of New York Trust Department. The portfolio of the investment company is limited to bonds, certain repurchase agreements or other obligations of, or guaranteed by the United States of America.

At June 30, 2008 the Educational Services Commission of Morris County's did not participate in the State of New Jersey Cash Management Fund.

GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, requires the disclosure of bank deposits that are subject to custodial credit risk. The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Educational Services Commission of Morris County's will not be able to recover deposits or will not be able to recover collateral securities that may be in the possession of an outside party.

As of June 30, 2008 none of the Educational Services Commission cash and cash equivalents of \$4,060,543.39 was exposed to custodial credit risk:

BOARD OF EDUCATION
THE EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2008
(CONTINUED)

Note III: Detailed Disclosure Regarding Assets and Revenues (Continued)

A. Deposits and Investments (Continued)

Investments

New Jersey statutes (N.J.S.A. 18A:20-37) permit the Educational Services Commission of Morris County to purchase the following types of securities:

a. When authorized by resolution adopted by a majority vote of all its members the board of education of any Commission may use moneys which may be in hand for the purchase of the following types of securities which, if suitable for registry, may be registered in the name of the Commission;

(1) Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;

(2) Government money market mutual funds;

(3) Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest not dependent on any index or other external factor;

(4) Bonds or other obligations of the Commission or bonds or other obligations of local unit or units within which the Commission is located;

(5) Bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, approved by the Division of Investment of the Department of the Treasury for investment by Commission;

(6) Local government investment pools;

(7) Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c.281 (C.52:18A-90.4) or

(8) Agreements for the repurchase of fully collateralized securities, if:

(a) the underlying securities are permitted investments pursuant to paragraphs (1) and (3) of this subsection a;

(b) the custody of collateral is transferred to a third party;

(c) the maturity of the agreement is not more than 30 days;

(d) the underlying securities are purchased through a public depository as defined in section 1 of P.L. 1970, c.236 (C.17:9-41) and for which a master repurchase agreement providing for the custody and security of collateral is executed.

The Educational Services Commission of Morris County had no investments as described in Note I:G.1 at June 30, 2008.

BOARD OF EDUCATION
THE EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2008
(CONTINUED)

Note III: Detailed Disclosure Regarding Assets and Revenues (Continued)

B. Interfund Receivables and Payables

As of June 30, 2008, interfund receivables and payables resulting from various interfund transactions were as follows:

	<u>Due from</u> <u>Other Funds</u>	<u>Due to</u> <u>Other Funds</u>
General Fund	\$21,211.22	\$
Capital Projects Fund		21,211.22
Enterprise Fund	<hr/>	<hr/>
	<u>\$21,211.22</u>	<u>\$21,211.22</u>

New Jersey statute requires that interest earned on the investments in capital projects fund be credited to the general fund or debt service based on Board resolution. The Board had accrued interest as of June 30, 2008 in the amount of \$21,211.22. Accordingly, an interfund accounts receivable and payable for \$21,211.22 was established in the general fund and capital projects funds, respectively.

BOARD OF EDUCATION
THE EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2008
(CONTINUED)

Note III: Detailed Disclosure Regarding Assets and Revenues (Continued)

C. Capital Assets

Capital asset activity for the year ended June 30, 2008 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirement</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Construction in Progress	\$3,465,857.66	\$ 186,491.79	\$ -	\$3,652,349.45
Total Capital Assets Not Being Depreciated	<u>3,465,857.66</u>	<u>186,491.79</u>	<u>-</u>	<u>3,652,349.45</u>
Buildings and Improvements	1,750,000.00	-		1,750,000.00
Machinery and Equipment	<u>257,161.00</u>	<u>-</u>		<u>257,161.00</u>
Totals at Historical Cost	<u>2,007,161.00</u>	<u>-</u>	<u>-</u>	<u>2,007,161.00</u>
Less Accumulated Depreciation For:				
Buildings and Improvements	(453,750.00)	(43,750.00)		(497,500.00)
Machinery and Equipment	<u>(229,408.60)</u>	<u>(29,658.03)</u>	<u>-</u>	<u>(259,066.63)</u>
Total Accumulated Depreciation	<u>(683,158.60)</u>	<u>(73,408.03)</u>	<u>(1)</u>	<u>(756,566.63)</u>
Net Capital Assets Being Depreciated	<u>1,324,002.40</u>	<u>(73,408.03)</u>	<u>-</u>	<u>1,250,594.37</u>
Governmental Activities Capital Assets, Net	<u>\$4,789,860.06</u>	<u>\$ 113,083.76</u>	<u>\$ -</u>	<u>\$4,902,943.82</u>
Business - Type Activities:				
Equipment	\$1,332,029.46	\$ -	\$ -	\$1,332,029.46
Less Accumulated Depreciation	<u>(227,887.64)</u>	<u>(110,761.95)</u>	<u>-</u>	<u>(338,649.59)</u>
Business - Type Activities Capital Assets, Net	<u>\$1,104,141.82</u>	<u>\$ (110,761.95)</u>	<u>\$ -</u>	<u>\$ 993,379.87</u>

(1) Depreciation expense was charged to governmental functions as follows:

Special Education	\$ 46,562.40
General and Business Administrative Services	<u>26,845.63</u>
	<u>\$ 73,408.03</u>

BOARD OF EDUCATION
THE EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2008
(CONTINUED)

Note IV: Detailed Disclosures Regarding Liabilities and Expenses/Expenditures

A. Operating Leases

The District has commitments to lease copiers under operating leases which expire in 2011-2012. Total operating lease payments made during the year ended June 30, 2008 were \$ 19,128.00. Future minimum lease payments are as follows:

<u>Year Ended</u>	<u>Amount</u>
June 30, 2009	\$ 19,128.00
June 30, 2010	19,128.00
June 30, 2011	17,280.00
June 30, 2012	<u>4,999.00</u>
Total future minimum lease payments	<u>\$ 60,535.00</u>

B. Long - Term Liabilities

Long - Term liability activity for the year ended June 30, 2008 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Governmental Activities:					
Other Liabilities:					
Compensated Absences	\$ 162,868.66	\$ 5,429.08	\$ (19,275.00)	\$ 149,022.74	\$ -
Morris County Improvement Authority Bonds	3,860,000.00		(310,000.00)	3,550,000.00	315,000.00
Certificates of Participation	-	-	-	-	-
Total Other Liabilities	<u>4,022,868.66</u>	<u>5,429.08</u>	<u>(329,275.00) (1)</u>	<u>3,699,022.74</u>	<u>315,000.00</u>
Governmental Activities					
Long - term Liabilities	<u>\$4,022,868.66</u>	<u>\$ 5,429.08</u>	<u>\$(329,275.00)</u>	<u>\$3,699,022.74</u>	<u>\$315,000.00</u>

(1) Paid by General Fund

BOARD OF EDUCATION
THE EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2008
(CONTINUED)

Note IV: Detailed Disclosure Regarding Liabilities and Expenses/Expenditures (Continued)

B. Long – Term Liabilities (Continued)

1. Bonds Payable

Bonds are authorized in accordance with State law by the voters of the municipality through referendums. All bonds are retired in serial installments within the statutory period of usefulness. Bonds issued by the Board are general obligation bonds.

Lease Purchase Bonds through the Morris County Improvement Authority outstanding as of June 30, 2008 consisted of the following:

GOVERNMENTAL ACTIVITIES

<u>Description</u>	<u>Interest Rate</u>	<u>Due Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
Morris County ESC Project	Various	10/1/04	10/1/24	\$4,940,000.00	\$3,550,000.00

Principal and interest due on serial bonds outstanding is as follows:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 315,000.00	\$ 123,105.01	\$ 438,105.01
2010	325,000.00	115,498.76	440,498.76
2011	150,000.00	109,373.76	259,373.76
2012	155,000.00	104,986.26	259,986.26
2013	155,000.00	100,239.38	255,239.38
2014	165,000.00	95,177.50	260,177.50
2015	170,000.00	89,562.50	259,562.50
2016	175,000.00	83,306.25	258,306.25
2017	180,000.00	76,312.50	256,312.50
2018	190,000.00	68,681.25	258,681.25
2019	195,000.00	60,740.63	255,740.63
2020	205,000.00	52,490.63	257,490.63
2021	215,000.00	43,828.13	258,828.13
2022	225,000.00	34,753.13	259,753.13
2023	235,000.00	25,265.63	260,265.63
2024	240,000.00	15,468.76	255,468.76
2025	255,000.00	5,259.38	260,259.38
	<u>\$3,550,000.00</u>	<u>\$1,204,049.46</u>	<u>\$4,754,049.46</u>

BOARD OF EDUCATION
THE EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2008
(CONTINUED)

Note IV: Detailed Disclosure Regarding Liabilities and Expenses/Expenditures (Continued)

B. Long – Term Liabilities (Continued)

1. Bonds Payable (Continued)

BUSINESS-TYPE ACTIVITIES

<u>Description</u>	<u>Interest Rate</u>	<u>Due Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
Purchase of Buses	Various	9/1/06	9/1/12	\$1,700,000.00	\$1,270,000.00

Principal and interest due on serial bonds outstanding is as follows:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 230,000.00	\$ 53,387.50	\$ 283,387.50
2010	245,000.00	41,887.50	286,887.50
2011	255,000.00	29,637.50	284,637.50
2012	265,000.00	16,887.50	281,887.50
2013	275,000.00	8,937.50	283,937.50
	<u>\$1,270,000.00</u>	<u>\$ 150,737.50</u>	<u>\$1,420,737.50</u>

2. Bonds Authorized But Not Issued

As of June 30, 2008 the Board had no authorized but not issued bonds.

3. Escrow Agent Agreement

The Commission has entered into an agreement with the Bank of New York, N.A., in its capacity as Escrow Agent for the Refunded COPS. This agreement will require the Escrow Agent to invest a portion of the proceeds of the Bonds in open market U.S. Treasury Obligations maturing and paying interest on such dates and in such amounts as are necessary and sufficient to pay the principal of, interest on and redemption premium of the Refunding COPS.

On March 31, 2004, \$1,175,398.41 was transferred to the Escrow Agent in accordance with the Escrow Agreement. On June 30, 2008, there was \$26,550.80. on deposit in the Escrow Fund comprised of the following:

Investments in U.S. Treasury and Agency Issues	\$ 25,245.00
Cash	<u>1,305.80</u>
	<u>\$ 26,550.80</u>

BOARD OF EDUCATION
THE EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2008
(CONTINUED)

Note V: Pension Plans

Description of Systems

Substantially all of the Board's employees participate in one of the following contributory defined benefit public employee retirement systems which have been established by State statute: the Teachers' Pension and Annuity Fund (TPAF) or the Public Employees' Retirement System (PERS). These systems are sponsored and administered by the New Jersey Division of Pensions and Benefits. The Teachers' Pension and Annuity Fund retirement system is considered a cost sharing plan with special funding situations as under current statute, all employer contributions are made by the State of New Jersey on behalf of the Board and the system's other related non-contributing employers. The PERS is considered a cost sharing multiple-employer plan.

The Public Employees' Retirement System (PERS) was established in January 1955, under the provisions of N.J.S.A. 43:15A to provide coverage including post-retirement health care to substantially all full time employees of the State or any county, municipality, school Commission or public agency provided the employee is not a member of another State-administered retirement system. Membership is mandatory for such employees and vesting occurs after 8 to 10 years of service for pension benefits and 25 years for post – retirement health care coverage.

The Teachers' Pension and Annuity Fund (TPAF) was established in January 1955, under the provisions of N.J.S.A. 18:66 to provide coverage including post-retirement health care to substantially all full time public school employees in the State. Membership is mandatory for such employees and vesting occurs after 10 years of service for pension benefits and 25 years for post – retirement health care coverage.

According to the State of New Jersey Management Administrative Code, all obligations of both Systems will be assumed by the State of New Jersey should the Systems terminate. The Division issues a publicly available financial report that includes the financial statements and required supplementary information of each of the Public Employees Retirement System and the Teachers' Pension and Annuity Fund. These reports maybe obtained by writing to the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey 08625-0295.

BOARD OF EDUCATION
THE EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2008
(CONTINUED)

Note V: Pension Plans (Continued)

Retirement Benefits

For PERS and TPAF employees, the benefits will be 1/55 of the average of the three highest years compensation for each year of service. However, for PERS and TPAF who are veterans of the U.S. armed forces, the benefits will be 1/55 of final compensation for each year of service.

Significant Legislation

As per P.L. 2003, c. 108 effective July 1, 2003, the Educational Services Commission of Morris County shall reduce the normal and accrued liability contributions payable by the Educational Services Commission of Morris County to a percentage of the amount certified annually by the retirement system, which for PERS will be as follows; for payments due in the State fiscal year ending June 30, 2005, 20%; for payments due in the State fiscal year ending June 30, 2006 not more than 40%; for payments due in the fiscal year ending June 30, 2007, not more than 60%; for payments due in the fiscal year ending June 30, 2008, not more than 80%.

Contribution Requirements

The contribution policy is set by New Jersey State Statutes and, in most retirement systems, contributions are required by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. The pension funds provide for employee contributions based on 5.00 percent for TPAF and PERS of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate in all Funds. The actuarially determined employer contribution includes funding for cost-of-living adjustments and noncontributory death benefits in the TPAF and PERS.

During the year ended June 30, 2006, for TPAF, annual pension cost equals annual required contribution. For PERS, the annual pension cost differs from the annual required contribution due to the enactment of Chapter 114, P.L. 1997.

BOARD OF EDUCATION
THE EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2008
(CONTINUED)

Note V: Pension Plans (Continued)

Contributions – Actual

The Commission's total payroll for the year ended June 30, 2008 was \$7,747,493.75 and covered payroll was \$4,271,787.00 for TPAF and \$2,245,875.00 for PERS. Contributions to the TPAF and the PERS for the last three years ended June 30 made by the employees, the Board, and the State of New Jersey on behalf of the Board were as follows:

		<u>TPAF</u>	Percent of Covered <u>Payroll</u>	<u>PERS</u>	Percent of Covered <u>Payroll</u>
Employees	6/30/06	\$201,833.35	5.18%	\$115,923.12	5.33%
	6/30/07	209,695.04	5.11%	117,990.48	5.16%
	6/30/08	241,497.00	5.65%	125,324.28	5.58%
Board of Education	6/30/06			37,166.80	1.70%
	6/30/07			71,027.88	3.11%
	6/30/08			147,167.20	6.55%
State of New Jersey	6/30/06	86,802.00	2.22%		
	6/30/07	382,085.00	9.31%		
	6/30/08	413,401.00	9.67%		

In accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the Board \$342,462.11 during the year ended June 30, 2008 for the employer's share of social security contributions for TPAF members as calculated on their base salaries. This amount and the State of New Jersey's Contribution to the TPAF have been included in the basic financial statements and the budgetary comparison schedule – General Fund as a revenue and expenditure in accordance with GASB 24.

Note VI: Post-Retirement Medical Benefits

Chapter 384 of Public Laws 1987 and Chapter 6 of Public Laws 1990 required TPAF and PERS State employees to fund post-retirement medical benefits for all TPAF employees who retire after reaching age 60 and accumulating 25 years of credited service or on a disability retirement. As of June 30, 2006, there were 71,719 retirees eligible for post-retirement medical benefits. The cost of these benefits is funded through contributions by the State in accordance with Chapter 62, P.L. 1994. Funding of post-retirement medical premiums changed from a prefunding basis to a pay-as-you-go basis beginning in fiscal year 1994 with an additional contribution beginning in fiscal year 1996 to maintain a medical reserve of one half of 1% of the active state payroll each year.

The State made post-retirement medical (PRM) contributions of \$555.3 million for TPAF in Fiscal Year 2006.

The State is also responsible for the cost attributable to P.L. 1992 c.126 which provides free health benefits to members of PERS and the Alternate Benefit Program who retired from a board of education or county college with 25 years of service. The State paid \$100.7 million toward Chapter 126 benefits for 10,777 eligible retired members in Fiscal Year 2006.

BOARD OF EDUCATION
THE EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2008
(CONTINUED)

Note VII: Risk Management

The Commission is a member of the Educational Services Commission of Morris County Workers' Compensation Insurance Fund of New Jersey ("Fund"). The Fund is an insured and self-administered workers' compensation liability pool. The Commission pays an annual assessment to the Fund and should it be determined that payments received by the Fund are deficient, additional assessments may be levied. Additionally, the Fund maintains a contract of excess insurance with a commercial reinsurer to secure the payment of statutory workers' compensation benefits. The Commission continues to carry commercial insurance coverage for all other risks of loss.

Note VIII: Compensated Absences

The Commission accounts for compensated absences (e.g., unused vacation, sick leave) as directed by Governmental Accounting Standards Board Statement No. 16 (GASB 16), "Accounting for Compensated Absences". A liability for compensated absences attributable to services already rendered and not contingent on a specific event that is outside the control of the employer and employee is accrued as employees earn the rights to the benefits.

Commission employees are granted vacation and sick leave in varying amounts under the Commission's personnel policies. In the event of termination, an employee is reimbursed for accumulated vacation. Sick leave benefits provide for ordinary sick pay and an employee is eligible to receive compensation upon announcing their retirement.

In the Commission-wide *Statement of Net Assets*, the liabilities whose average maturities are greater than one year are reported in two components – the amount due within one year and the amount due in more than one year.

Note IX: Contingent Liabilities

The Educational Services Commission of Morris County is a defendant in a few lawsuits, none of which is unusual for a Commission of its size. Additional liabilities, if not covered by insurance, should not be material in amount.

**REQUIRED SUPPLEMENTARY INFORMATION -
PART II**

SECTION C
BUDGETARY COMPARISON SCHEDULES

BOARD OF EDUCATION
THE EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY
Budgetary Comparison Schedule
General Fund
Fiscal Year Ended June 30, 2008

		<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUES:						
Local Sources:						
Other Local Government Units		\$ 1,781,837.63	\$ (201,892.33)	\$ 1,579,945.30	\$ 1,174,292.67	\$ (405,652.63)
Tuition		4,209,882.00	29,232.23	4,239,114.23	4,239,114.23	-
Transportation Fees		15,046,599.27	1,693,945.15	16,740,544.42	15,332,647.89	(1,407,896.53)
Interest Earned on Investments		70,000.00	-	70,000.00	59,940.61	(10,059.39)
Miscellaneous		35,000.00	-	35,000.00	25,200.98	(9,799.02)
Total - Local Sources		<u>21,143,318.90</u>	<u>1,521,285.05</u>	<u>22,664,603.95</u>	<u>20,831,196.38</u>	<u>(1,833,407.57)</u>
State Sources:						
TPAF Pension (On-Behalf - Non-Budgeted)		-	-	-	413,401.00	413,401.00
TPAF Social Security (Reimbursed - Non-Budgeted)		-	-	-	342,462.11	342,462.11
Total State Sources		<u>-</u>	<u>-</u>	<u>-</u>	<u>755,863.11</u>	<u>755,863.11</u>
Total Revenues		<u>21,143,318.90</u>	<u>1,521,285.05</u>	<u>22,664,603.95</u>	<u>21,587,059.49</u>	<u>(1,077,544.46)</u>
EXPENDITURES:						
Current Expense:						
Regular Programs - Undistributed Instruction						
Other Salaries for Instruction	190-100-106	245,658.43	(40,315.84)	205,342.59	205,342.59	-
General Supplies	190-100-610	50,000.00	(15,634.77)	34,365.23	33,911.88	453.35
Other Objects	190-100-800	3,000.00	9,269.71	12,269.71	12,269.71	-
TOTAL REGULAR PROGRAMS - INSTRUCTION		<u>298,658.43</u>	<u>(46,680.90)</u>	<u>251,977.53</u>	<u>251,524.18</u>	<u>453.35</u>
SPECIAL EDUCATION - INSTRUCTION						
Behavioral Disabilities:						
Salaries of Teachers	209-100-101	65,964.37	610.00	66,574.37	66,567.50	6.87
Other Salaries for Instruction	209-100-106	99,930.95	42,769.10	142,700.05	142,698.22	1.83
Total Behavioral Disabilities		<u>165,895.32</u>	<u>43,379.10</u>	<u>209,274.42</u>	<u>209,265.72</u>	<u>8.70</u>
Multiple Disabilities:						
Salaries of Teachers	212-100-101	511,020.26	(668.75)	510,351.51	510,064.51	287.00
Other Salaries for Instruction	212-100-106	364,184.82	25,214.32	389,399.14	389,399.14	-
Purchased Professional-Educational Services	212-100-320	2,000.00	-	2,000.00	-	2,000.00
Other Purchased Services (400-500 series)	212-100-500	1,470.00	-	1,470.00	-	1,470.00
General Supplies	212-100-610	400.00	1,215.80	1,615.80	1,515.84	99.96
Other Objects	212-100-800	-	-	-	-	-
Total Multiple Disabilities		<u>879,075.08</u>	<u>25,761.37</u>	<u>904,836.45</u>	<u>900,979.49</u>	<u>3,856.96</u>
Preschool Disabilities - Full-Time:						
Salaries of Teachers	216-100-101	80,855.08	(40,999.50)	39,855.58	39,855.58	-
Total Preschool Disabilities - Full-Time		<u>80,855.08</u>	<u>(40,999.50)</u>	<u>39,855.58</u>	<u>39,855.58</u>	<u>-</u>
TOTAL SPECIAL EDUCATION - INSTRUCTION		<u>1,125,825.48</u>	<u>28,140.97</u>	<u>1,153,966.45</u>	<u>1,150,100.79</u>	<u>3,865.66</u>
Total Instruction		<u>1,424,483.91</u>	<u>(18,539.93)</u>	<u>1,405,943.98</u>	<u>1,401,624.97</u>	<u>4,319.01</u>
Undistributed Expenditures - Instruction:						
Tuition to County Voc. School Dist. - Special	000-100-564	5,000.00	3,130.00	8,130.00	8,130.00	-
Total Undistributed Expenditures - Instruction:		<u>5,000.00</u>	<u>3,130.00</u>	<u>8,130.00</u>	<u>8,130.00</u>	<u>-</u>
Undist. Expend. - Health Services						
Salaries	000-213-100	54,429.79	7,149.69	61,579.48	61,016.98	562.50
Purchased Professional and Technical Services	000-213-300	12,000.00	5,172.00	17,172.00	13,371.50	3,800.50
Supplies and Materials	000-213-600	4,000.00	(2,958.92)	1,041.08	1,041.08	-
Total Undistributed Expenditures - Health Services		<u>70,429.79</u>	<u>9,362.77</u>	<u>79,792.56</u>	<u>75,429.56</u>	<u>4,363.00</u>
Undist. Expend. - Other Supp. Serv. Students - Related Serv.						
Salaries of Other Professional Staff	000-216-100	183,349.02	37,664.89	221,013.91	218,563.17	2,450.74
Purchased Professional - Educational Services	000-216-320	6,000.00	-	6,000.00	720.00	5,280.00
Total Undist. Expend. - Other Supp. Serv. Students - Related Serv.		<u>189,349.02</u>	<u>37,664.89</u>	<u>227,013.91</u>	<u>219,283.17</u>	<u>7,730.74</u>

BOARD OF EDUCATION
THE EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY
Budgetary Comparison Schedule
General Fund
Fiscal Year Ended June 30, 2008
(Continued)

		Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Undist. Expend. - Other Supp. Serv. Students-Special						
Salaries of Other Professional Staff	000-219-104	\$ 372,850.44	\$ (10,928.88)	\$ 361,921.56	\$ 342,774.03	\$ 19,147.53
Other Salaries	000-219-110	155,000.54	29,643.84	184,644.38	65,315.36	119,329.02
Purchased Professional - Educational Services	000-219-320	7,000.00	30,208.75	37,208.75	37,208.75	-
Other Purchased Prof. and Tech. Services	000-219-390	60,662.00	-	60,662.00	59,489.12	1,172.88
Misc. Pur. Serv. (400-500 series) Other Than Residential Costs	000-219-592	6,748.00	(3,348.40)	3,399.60	1,635.55	1,764.05
Supplies and Materials	000-219-600	13,179.00	(241.64)	12,937.36	11,596.57	1,340.79
Other Objects	000-219-800	14,420.00	(1,504.80)	12,915.20	11,142.05	1,773.15
Total Undist. Expend. - Other Supp. Serv. Students-Spl.		629,859.98	43,828.87	673,688.85	529,161.43	144,527.42
Undist. Expend. - Supp. Serv. - General Admin.						
Salaries	000-230-100	369,672.41	(6,680.77)	362,991.64	296,103.60	66,888.04
Legal Services	000-230-331	10,000.00	1,000.00	11,000.00	6,465.43	4,534.57
Other Purchased Professional Services	000-230-339	6,500.00	8,200.00	14,700.00	14,700.00	-
Communications/Telephone	000-230-530	58,283.00	6,126.43	64,409.43	63,027.40	1,382.03
Other Purchased Services (400-500 series)	000-230-590	110,805.00	(19,470.27)	91,334.73	91,011.46	323.27
Supplies and Materials	000-230-600	26,000.00	5,264.51	31,264.51	23,781.20	7,483.31
Miscellaneous Expenditures	000-230-890	60,000.00	236.68	60,236.68	56,341.95	3,894.73
Total Undist. Expend. - Supp. Serv. - General Admin.		641,260.41	(5,323.42)	635,936.99	551,431.04	84,505.95
Undist. Expend. - Support Serv. - School Admin.						
Salaries of Principals/Assistant Principals	000-240-103	144,042.93	44,975.00	189,017.93	175,474.92	13,543.01
Salaries of Other Professional Staff	000-240-104	15,000.00	2,500.00	17,500.00	13,886.04	3,613.96
Salaries of Secretarial and Clerical Assistants	000-240-105	142,424.68	(46,424.68)	96,000.00	80,834.88	15,165.12
Other Salaries	000-240-110	5,000.00	-	5,000.00	-	5,000.00
Purchased Professional and Technical Services	000-240-300	20,000.00	(4,535.00)	15,465.00	14,130.63	1,334.37
Other Purchased Services (400-500 series)	000-240-500	7,725.00	(4,010.64)	3,714.36	3,580.48	133.88
Supplies and Materials	000-240-600	27,647.98	-	27,647.98	20,048.70	7,599.28
Other Objects	000-240-800	10,699.62	(1,395.45)	9,304.17	7,970.21	1,333.96
Total Undist. Expend. - Support Serv. - School Admin.		372,540.21	(8,890.77)	363,649.44	315,925.86	47,723.58
Undist. Expend. - Central Services						
Salaries	000-251-100	-	12,537.39	12,537.39	12,537.39	-
Purchased Professional and Technical Services	000-251-300	219,418.00	4,685.50	224,103.50	221,112.50	2,991.00
Interest for Lease Purchase Agreements	000-251-832	-	129,748.76	129,748.76	129,748.76	-
Total Undist. Expend. - Central Services		219,418.00	146,971.65	366,389.65	363,398.65	2,991.00
Undist. Expend. - Admin. Information Technology						
Salaries	000-252-100	27,777.52	6,887.60	34,665.12	33,834.96	830.16
Total Undist. Expend. - Admin. Information Technology		27,777.52	6,887.60	34,665.12	33,834.96	830.16
Undist. Expend. - Required Maint. for Sch. Facil.						
Cleaning, Repair and Maintenance Services	000-261-420	43,923.20	14,049.05	57,972.25	55,972.25	2,000.00
Rental of Land & Buildings Other than Lease Purchase Agreements	000-261-441	10,300.00	(8,291.84)	2,008.16	-	2,008.16
Total Undist. Expend. - Required Maint. for Sch. Facil.		54,223.20	5,757.21	59,980.41	55,972.25	4,008.16
Undist. Expend. - Oth. Oper. & Maint. of Plant						
Salaries	000-262-100	82,096.87	(2,300.25)	79,796.62	79,796.62	-
Purchased Professional and Technical Services	000-262-300	120,000.00	(19,284.42)	100,715.58	100,697.94	17.64
Cleaning, Repair and Maintenance Services	000-262-420	39,481.00	5,274.63	44,755.63	41,013.80	3,741.83
Rental of Land & Buildings Other than Lease Purchase Agreements	000-262-441	128,200.00	(9,017.01)	119,182.99	116,450.52	2,732.47
Other Purchased Property Services	000-262-490	12,500.00	7,966.34	20,466.34	14,439.91	6,026.43
Miscellaneous Purchased Services	000-262-590	500.00	-	500.00	288.16	211.84
General Supplies	000-262-610	31,000.00	8,395.07	39,395.07	27,479.26	11,915.81
Energy (Energy and Electricity)	000-262-620	71,000.00	15,042.17	86,042.17	86,042.17	-
Total Undist. Expend. - Other Oper. & Maint. Of Plant		484,777.87	6,076.53	490,854.40	466,208.38	24,646.02
Undist. Expend. - Student Transportation Serv.						
Salaries for Pupil Trans. (Other than Between Home & School)	000-270-109	240,769.94	7,710.41	248,480.35	212,770.48	35,709.87
Other Purchased Professional and Technical Services	000-270-390	27,000.00	(9,000.00)	18,000.00	12,849.21	5,150.79
Cleaning, Repair and Maintenance Services	000-270-420	11,500.00	-	11,500.00	11,226.97	273.03
Contracted Services (Between Home and School) - Vendors	000-270-511	1,500,000.00	205,703.91	1,705,703.91	1,694,111.52	11,592.39
Contracted Services (Other than Between Home and School) - Vendor	000-270-512	14,000.00	(7,253.09)	6,746.91	4,875.00	1,871.91
Contracted Services (Between Home and School) - Joint Agreements	000-270-513	1,500,000.00	(62,540.58)	1,437,459.42	1,437,459.42	-
Contracted Services (Special Education Students) - Vendors	000-270-514	10,500,000.00	1,505,781.82	12,005,781.82	12,005,781.82	-
Contracted Services (Special Education Students) - Joint Agreements	000-270-515	950,000.00	45,000.00	995,000.00	986,037.75	8,962.25
Miscellaneous Purchased Services - Transportation	000-270-593	23,500.00	1,500.00	25,000.00	23,421.44	1,578.56
Supplies and Materials	000-270-600	19,795.00	(6,500.00)	13,295.00	12,151.74	1,143.26
Miscellaneous Expenditures	000-270-890	20,000.00	1,156.59	21,156.59	19,083.73	2,072.86
Total Undist. Expend. - Student Transportation Serv.		14,806,564.94	1,681,559.06	16,488,124.00	16,419,769.08	68,354.92

BOARD OF EDUCATION
THE EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY
Budgetary Comparison Schedule
General Fund
Fiscal Year Ended June 30, 2008
(Concluded)

		<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
UNALLOCATED BENEFITS						
Social Security Contributions	000-291-220	\$ 89,865.00	\$ 36,108.75	\$ 125,973.75	\$ 125,156.77	\$ 816.98
Other Retirement Contributions - Regular	000-291-241	95,000.00	29,313.76	124,313.76	63,077.22	61,236.54
Unemployment Compensation	000-291-250	9,489.75	3,283.56	12,773.31	12,548.51	224.80
Workmen's Compensation	000-291-260	47,101.00	(1,545.00)	45,556.00	45,556.00	-
Health Benefits	000-291-270	1,335,106.30	(352,854.31)	982,251.99	904,734.20	77,517.79
Tuition Reimbursement	000-291-280	54,810.00	(13,766.50)	41,043.50	28,518.00	12,525.50
Other Employee Benefits	000-291-290	72,090.00	(71,988.50)	101.50	-	101.50
TOTAL UNALLOCATED BENEFITS		<u>1,703,462.05</u>	<u>(371,448.24)</u>	<u>1,332,013.81</u>	<u>1,179,590.70</u>	<u>152,423.11</u>
On-behalf TPAF pension Contributions (non-budgeted)		-	-	-	413,401.00	(413,401.00)
Reimbursed TPAF Social Security Contributions (non-budgeted)		-	-	-	342,462.11	(342,462.11)
TOTAL ON-BEHALF CONTRIBUTIONS		<u>-</u>	<u>-</u>	<u>-</u>	<u>755,863.11</u>	<u>(755,863.11)</u>
TOTAL PERSONAL SERVICES - EMPLOYEE BENEFITS		<u>1,703,462.05</u>	<u>(371,448.24)</u>	<u>1,332,013.81</u>	<u>1,935,453.81</u>	<u>(603,440.00)</u>
TOTAL UNDISTRIBUTED EXPENDITURES		<u>19,176,885.47</u>	<u>1,548,688.55</u>	<u>20,725,574.02</u>	<u>20,973,998.19</u>	<u>(248,424.17)</u>
TOTAL GENERAL CURRENT EXPENSE		<u>20,601,369.38</u>	<u>1,530,148.62</u>	<u>22,131,518.00</u>	<u>22,375,623.16</u>	<u>(244,105.16)</u>
CAPITAL OUTLAY						
Equipment						
Undistributed Expenditures - Instruction	000-100-730	26,585.00	(26,000.00)	585.00	-	585.00
Undistributed Expenditures - School Admin.	000-240-730	1,700.03	-	1,700.03	-	1,700.03
Undistributed Expenditures - Business/Other Support Services	000-290-730	-	-	-	-	-
Total Equipment		<u>28,285.03</u>	<u>(26,000.00)</u>	<u>2,285.03</u>	<u>-</u>	<u>2,285.03</u>
Facilities Acquisition and Construction Services						
Construction Services	000-400-450	36,714.97	(5,000.00)	31,714.97	25,691.62	6,023.35
Lease Purchase Agreements - Principal	000-400-721	305,000.00	5,000.00	310,000.00	310,000.00	-
Other Objects	000-400-800	136,172.00	-	136,172.00	4,000.00	132,172.00
Total Facilities Acquisition and Construction Services		<u>477,886.97</u>	<u>-</u>	<u>477,886.97</u>	<u>339,691.62</u>	<u>138,195.35</u>
TOTAL CAPITAL OUTLAY		<u>506,172.00</u>	<u>(26,000.00)</u>	<u>480,172.00</u>	<u>339,691.62</u>	<u>140,480.38</u>
TOTAL EXPENDITURES		<u>21,107,541.38</u>	<u>1,504,148.62</u>	<u>22,611,690.00</u>	<u>22,715,314.78</u>	<u>(103,624.78)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures		<u>35,777.52</u>	<u>17,136.43</u>	<u>52,913.95</u>	<u>(1,128,255.29)</u>	<u>(1,181,169.24)</u>
Other Financing Sources:						
Operating Transfer In:						
Transfer from Capital Projects Fund		-	-	-	9,122.34	9,122.34
Operating Transfer Out:						
Transfer to Transportation Leasing Fund		-	-	-	-	-
Transfer to Food Service Fund		(8,000.00)	(10,248.83)	(18,248.83)	(18,248.83)	-
Total Other Financing Sources:		<u>(8,000.00)</u>	<u>(10,248.83)</u>	<u>(18,248.83)</u>	<u>(9,126.49)</u>	<u>9,122.34</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Sources (Uses)		<u>27,777.52</u>	<u>6,887.60</u>	<u>34,665.12</u>	<u>(1,137,381.78)</u>	<u>(1,172,046.90)</u>
Fund Balance, July 1		<u>3,698,435.60</u>	<u>-</u>	<u>3,698,435.60</u>	<u>3,698,435.60</u>	<u>-</u>
Fund Balance, June 30		<u>\$ 3,726,213.12</u>	<u>\$ 6,887.60</u>	<u>\$ 3,733,100.72</u>	<u>\$ 2,561,053.82</u>	<u>\$ (1,172,046.90)</u>

BOARD OF EDUCATION
THE EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY
Budgetary Comparison Schedule
Special Revenue Fund
For the Fiscal Year Ended June 30, 2008

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
State Sources	\$1,744,612.00	\$287,586.99	\$2,032,198.99	\$2,027,636.45	\$(4,562.54)
Federal Sources	-	128,944.00	128,944.00	128,944.00	-
Total Revenues	<u>1,744,612.00</u>	<u>416,530.99</u>	<u>2,161,142.99</u>	<u>2,156,580.45</u>	<u>(4,562.54)</u>
EXPENDITURES:					
Instruction					
Personal Services - Salaries	384,488.97	162,276.23	546,765.20	546,765.20	-
Purchased Professional and Technical Services	3,500.00	28,150.29	31,650.29	31,650.29	-
General Supplies	-	-	-	-	-
Textbooks	173,680.00	2,149.00	175,829.00	175,092.31	736.69
Other Objects	-	-	-	-	-
Total Instruction	<u>561,668.97</u>	<u>192,575.52</u>	<u>754,244.49</u>	<u>753,507.80</u>	<u>736.69</u>
Support Services					
Personal Services - Salaries	713,044.87	42,125.88	755,170.75	752,236.75	2,934.00
Personal Services - Employee Benefits	96,502.59	(33,002.85)	63,499.74	63,499.74	-
Purchased Professional and Technical Services	76,109.57	173,164.04	249,273.61	249,273.61	-
Purchased Professional - Educational Services	-	-	-	-	-
Purchased Property Services	19,840.00	(19,183.56)	656.44	656.44	-
Other Purchased Services (400-500 series)	4,900.00	(2,438.01)	2,461.99	2,461.99	-
Travel	1,900.00	1,672.06	3,572.06	3,572.06	-
Supplies & Materials	137,799.00	55,976.91	193,775.91	193,239.29	536.62
Other Objects	500.00	(283.00)	217.00	217.00	-
Total Support Services	<u>1,050,596.03</u>	<u>218,031.47</u>	<u>1,268,627.50</u>	<u>1,265,156.88</u>	<u>3,470.62</u>
Facilities Acquisition and Construction Services:					
Instructional Equipment	132,347.00	5,924.00	138,271.00	137,915.77	355.23
Noninstructional Equipment	-	-	-	-	-
Total Facilities Acquisition and Construction Services	<u>132,347.00</u>	<u>5,924.00</u>	<u>138,271.00</u>	<u>137,915.77</u>	<u>355.23</u>
Total Expenditures	<u>1,744,612.00</u>	<u>416,530.99</u>	<u>2,161,142.99</u>	<u>2,156,580.45</u>	<u>4,562.54</u>
Total Outflows	<u>\$1,744,612.00</u>	<u>\$416,530.99</u>	<u>\$2,161,142.99</u>	<u>\$2,156,580.45</u>	<u>\$4,562.54</u>

**NOTES TO REQUIRED SUPPLEMENTARY
INFORMATION**

BOARD OF EDUCATION
THE EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY
Required Supplementary Information
Budgetary Comparison Schedule
Note to RSI
For the Fiscal Year Ended

**Note A - Explanation of Differences between Budgetary Inflows and Outflows and
GAAP Revenues and Expenditures**

	<u>Exhibit</u>	General <u>Fund</u>	Special Revenue <u>Fund</u>
Sources/inflows of resources			
Actual amounts (budgetary basis) "revenue"			
from the budgetary comparison schedule	[C-1,C-2]	\$ 22,715,314.78	\$ 2,156,580.45
Difference - budget to GAAP:			
The last State aid payment is recognized as revenue for budgetary purposes, and differs from GAAP which does not recognize this revenue until the subsequent year when the State recognizes the related expense in accordance with GASB 33.		-	
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.		-	-
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds.	[B-2]	<u>\$ 22,715,314.78</u>	<u>\$ 2,156,580.45</u>
Uses/outflows of resources			
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	[C-2]		\$ 2,156,580.45
Differences - budget to GAAP			
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for <i>budgetary</i> purposes, but in the year the supplies are received for <i>financial reporting</i> purposes.			-
Transfers to and from other funds are presented as outflows of budgetary resources but are not expenditures for financial reporting purposes.	\$ -		
Net transfers (outflows) to general fund		-	-
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	[B-2]	<u>\$ -</u>	<u>\$ 2,156,580.45</u>

OTHER SUPPLEMENTARY INFORMATION

SECTION D
SCHOOL LEVEL SCHEDULES

SECTION E
SPECIAL REVENUE FUND

BOARD OF EDUCATION
THE EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY
Special Revenue Fund
Combining Schedule of Program Revenues and Expenditures - Budgetary Basis
For the Fiscal Year Ended June 30, 2008

		<u>Total</u>	<u>State Aid</u>	<u>Federal Aid</u>
REVENUES				
State Sources		\$ 2,027,636.45	\$2,027,636.45	\$ -
Federal Sources		<u>128,944.00</u>	<u>-</u>	<u>128,944.00</u>
Total Revenues		<u>2,156,580.45</u>	<u>2,027,636.45</u>	<u>128,944.00</u>
EXPENDITURES:				
Instruction:				
Personal Services - Salaries	100-100	546,765.20	484,033.88	62,731.32
Purchased Professional and Technical Services	100-300	31,650.29	31,650.29	-
General Supplies	100-610	-	-	-
Textbooks	100-640	175,092.31	175,092.31	-
Other Objects	100-800	<u>-</u>	<u>-</u>	<u>-</u>
Total Instruction		<u>753,507.80</u>	<u>690,776.48</u>	<u>62,731.32</u>
Support Services:				
Personal Services - Salaries	200-100	752,236.75	752,236.75	-
Personal Services - Employee Benefits	200-200	63,499.74	63,499.74	-
Purchased Professional and Technical Services	200-300	249,273.61	249,273.61	-
Purchased Professional - Educational Services	200-320	-	-	-
Purchased Property Services	200-400	656.44	656.44	-
Other Purchased Services (400-500 series)	200-500	2,461.99	2,461.99	-
Travel	200-580	3,572.06	3,572.06	-
Supplies and Materials	200-600	193,239.29	127,026.61	66,212.68
Other Objects	200-800	<u>217.00</u>	<u>217.00</u>	<u>-</u>
Total Support Services		<u>1,265,156.88</u>	<u>1,198,944.20</u>	<u>66,212.68</u>
Facilities Acquisition and Const. Serv.:				
Instructional Equipment	400-731	137,915.77	137,915.77	-
Noninstructional Equipment	400-732	<u>-</u>	<u>-</u>	<u>-</u>
Total Facilities Acquisition and Const. Serv.		<u>137,915.77</u>	<u>137,915.77</u>	<u>-</u>
Total Expenditures		<u>\$ 2,156,580.45</u>	<u>\$2,027,636.45</u>	<u>\$ 128,944.00</u>

BOARD OF EDUCATION
THE EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY
Special Revenue Fund
Combining Schedule of State Program Revenues and Expenditures - Budgetary Basis
For the Fiscal Year Ended June 30, 2008

		N.J. Nonpublic Textbook Aid	N.J. Nonpublic Auxiliary Services	N.J. Nonpublic Handicapped Services	N.J. Nonpublic Nursing Services	N.J. Nonpublic Technology Initiative
REVENUES						
State Sources		\$ 2,027,636.45	\$ 278,871.71	\$ 750,836.28	\$ 560,008.00	\$ 262,828.15
Total State Revenues		<u>2,027,636.45</u>	<u>278,871.71</u>	<u>750,836.28</u>	<u>560,008.00</u>	<u>262,828.15</u>
EXPENDITURES:						
Instruction:						
Personal Services - Salaries	100-100	484,033.88	230,168.10	253,865.78		
Purchased Professional and Technical Services	100-300	31,650.29		31,650.29		
General Supplies	100-610	-		-		
Textbooks	100-640	175,092.31	175,092.31			
Other Objects	100-800	-	-	-		
Total Instruction		<u>690,776.48</u>	<u>230,168.10</u>	<u>285,516.07</u>		
Support Services:						
Personal Services - Salaries	200-100	752,236.75	45,922.68	208,343.37	484,784.70	13,186.00
Personal Services - Employee Benefits	200-200	63,499.74	430.00	3,146.67	59,923.07	
Purchased Professional and Technical Services	200-300	249,273.61	578.33	248,695.28		
Purchased Professional - Educational Services	200-320	-	-			
Purchased Property Services	200-400	656.44	656.44	1,388.99		
Other Purchased Services (400-500 series)	200-500	2,461.99	1,073.00	3,528.90		
Travel	200-580	3,572.06	43.16			
Supplies & Materials	200-600	127,026.61	-		15,300.23	111,726.38
Other Objects	200-800	217.00	-	217.00	-	-
Total Support Services		<u>1,198,944.20</u>	<u>48,703.61</u>	<u>465,320.21</u>	<u>560,008.00</u>	<u>124,912.38</u>
Facilities Acquisition and Const. Serv.:						
Instructional Equipment	400-731	137,915.77	-	-	-	137,915.77
Noninstructional Equipment	400-732	-	-	-	-	-
Total Facilities Acquisition and Const. Serv.		<u>137,915.77</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>137,915.77</u>
Total Expenditures		<u>\$ 2,027,636.45</u>	<u>\$ 278,871.71</u>	<u>\$ 750,836.28</u>	<u>\$ 560,008.00</u>	<u>\$ 262,828.15</u>

BOARD OF EDUCATION
THE EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY
Special Revenue Fund
Combining Schedule of Federal Program Revenues and Expenditures - Budgetary Basis
For the Fiscal Year Ended June 30, 2008

		<u>Total</u>	<u>I.D.E.A. Part B Basic</u>
REVENUES			
Federal Sources		\$ 128,944.00	\$ 128,944.00
Total Federal Revenues		<u>128,944.00</u>	<u>128,944.00</u>
EXPENDITURES:			
Instruction:			
Personal Services - Salaries	100-100	<u>62,731.32</u>	<u>62,731.32</u>
Total Instruction		<u>62,731.32</u>	<u>62,731.32</u>
Support Services:			
Supplies and Materials	200-600	<u>66,212.68</u>	<u>66,212.68</u>
Total Support Services		<u>66,212.68</u>	<u>66,212.68</u>
Total Expenditures		<u>\$ 128,944.00</u>	<u>\$ 128,944.00</u>

SECTION F
CAPITAL PROJECTS FUND

BOARD OF EDUCATION
THE EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY
Capital Projects Fund
Summary Statement of Project Expenditures
For the Fiscal Year Ended June 30, 2008

<u>Project Title/Issue</u>	<u>Original Date</u>	<u>Appropriations</u>	<u>Expenditures to Date</u>		<u>Unexpended Balance June 30, 2008</u>
			<u>Prior Years</u>	<u>Current Year</u>	
Various Improvements to Educational Services Commission Buildings	3/31/2004	\$ 3,221,617.19	\$ 3,064,437.85	\$ 156,800.17	\$ 379.17

SECTION G
PROPRIETARY FUNDS

ENTERPRISE FUND

INTERNAL SERVICE FUND

SECTION H
FIDUCIARY FUND

BOARD OF EDUCATION
THE EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY
Student Activity Agency Fund
Schedule of Receipts and Disbursements
For the Fiscal Year Ended June 30, 2008

<u>Schools</u>	<u>Balance June 30, 2007</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Balance June 30, 2008</u>
Park Lake	\$ 1,077.33	\$ 23.40	\$ 402.76	\$ 697.97
Regional Day	<u>2,821.66</u>	<u>7,344.65</u>	<u>6,019.93</u>	<u>4,146.38</u>
	<u>\$ 3,898.99</u>	<u>\$ 7,368.05</u>	<u>\$ 6,422.69</u>	<u>\$ 4,844.35</u>

BOARD OF EDUCATION
THE EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY
Payroll Agency Fund
Schedule of Receipts and Disbursements
For the Fiscal Year Ended June 30, 2008

	<u>Balance</u> <u>June 30, 2007</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disbursements</u>	<u>Balance</u> <u>June 30, 2008</u>
Payroll Deductions and Withholdings	\$ 48,995.24	\$ 3,148,983.26	\$ 3,186,584.13	\$ 11,394.37
Net Salaries and Wages	<u>-</u>	<u>5,364,244.66</u>	<u>5,364,244.66</u>	<u>-</u>
	<u>\$ 48,995.24</u>	<u>\$ 8,513,227.92</u>	<u>\$ 8,550,828.79</u>	<u>\$ 11,394.37</u>

SECTION I
LONG – TERM DEBT

81

STATISTICAL SECTION (Unaudited)

Financial Trends

J-1	Net Assets by Component
J-2	Changes in Net Assets
J-3	Fund Balances - Governmental Funds
J-4	Changes in Fund Balances - Governmental Funds
J-5	General Fund - Other Local Revenue by Source

Revenue Capacity

J-6	Assessed Value and Estimated Actual Value of Taxable Property
J-7	Direct and Overlapping Property Tax Rates
J-8	Principal Property Taxpayers
J-9	Property Tax Levies and Collections

Debt Capacity

J-10	Ratios of Outstanding Debt by Type
J-11	Ratios of Net General Bonded Debt Outstanding
J-12	Direct and Overlapping Governmental Activities Debt as of June 30
J-13	Legal Debt Margin Information

Demographic and Economic Information

J-14	Demographic and Economic Statistics
J-15	Principal Employers

Operating Information

J-16	Full-time Equivalent District Employees by Function/Program
J-17	Operating Statistics
J-18	School Building Information
J-19	Schedule of Required Maintenance for School Facilities
J-20	Insurance Schedule

Certain Exhibits do not contain ten years of information since GASBS No. 44 was implemented as of the fiscal year ending June 30, 2003.

**BOARD OF EDUCATION
THE EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY**

**Net Assets by Component
Last Six Fiscal Years
(accrual basis of accounting)
Unaudited**

	Fiscal Year Ending June 30,					
	2008	2007	2006	2005	2004	2003
Governmental Activities						
Invested in Capital Assets, Net of Related Debt	\$ 1,352,943.82	\$ 929,860.06	\$ 556,589.69	\$ (1,965,336.79)	\$ (2,927,044.80)	\$ 426,034.55
Restricted	582,712.63	2,103,108.60	786,534.01	2,969,290.62	3,690,297.92	-
Unrestricted	2,399,281.08	2,141,825.41	2,493,046.18	1,994,554.46	1,182,303.95	141,397.17
Total Governmental Activities Net Assets	<u>\$ 4,334,937.53</u>	<u>\$ 5,174,794.07</u>	<u>\$ 3,836,169.88</u>	<u>\$ 2,998,508.29</u>	<u>\$ 1,945,557.07</u>	<u>\$ 567,431.72</u>
Business-Type Activities						
Invested in Capital Assets, Net of Related Debt	\$ (280,134.24)	\$ (390,149.16)	\$ (490,164.08)	\$ 6,085.22	\$ 7,102.59	\$ 1,683.50
Restricted	196,281.90	196,281.90	387,456.38	-	-	-
Unrestricted	191,765.16	25,518.75	(220,383.49)	(38,713.33)	1,260.32	783,382.43
Total Business-Type Activities Net Assets	<u>\$ 107,912.82</u>	<u>\$ (168,348.51)</u>	<u>\$ (323,091.19)</u>	<u>\$ (32,628.11)</u>	<u>\$ 8,362.91</u>	<u>\$ 785,065.93</u>
District-Wide						
Invested in Capital Assets, Net of Related Debt	\$ 1,072,809.58	\$ 539,710.90	\$ 66,425.61	\$ (1,959,251.57)	\$ (2,919,942.21)	\$ 427,718.05
Restricted	778,994.53	2,299,390.50	1,173,990.39	2,969,290.62	3,690,297.92	-
Unrestricted	2,591,046.24	2,167,344.16	2,272,662.69	1,955,841.13	1,183,564.27	924,779.60
Total District Net Assets	<u>\$ 4,442,850.35</u>	<u>\$ 5,006,445.56</u>	<u>\$ 3,513,078.69</u>	<u>\$ 2,965,880.18</u>	<u>\$ 1,963,919.98</u>	<u>\$ 1,352,497.65</u>

Source: District Records

BOARD OF EDUCATION
THE EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY

Changes in Net Assets
Last Six Fiscal Years
(accrual basis of accounting)
Unaudited

	Fiscal Year Ending June 30,					
	2008	2007	2006	2005	2004	2003
Expenses						
Governmental Activities						
Instruction						
Regular	\$ 251,524.18	\$ 293,493.61	\$ 235,361.73	\$ 261,927.59	\$ 246,549.79	\$ 256,545.63
Special Education	2,958,997.37	2,698,912.67	2,279,242.13	2,279,047.45	2,045,705.91	2,397,082.53
Other Special Instruction				-	12,957.44	572.20
Support Services:						
Tuition	8,130.00	6,530.00	3,032.00	8,458.00	1,850.00	1,650.00
Student and Instruction Related Services	2,639,126.82	2,642,622.82	2,670,582.75	2,453,399.98	2,648,024.89	2,295,625.07
School Administrative Services	518,722.74	528,872.65	450,723.88	483,853.06	391,860.70	499,127.94
General and Business Administrative Services	1,191,497.63	1,147,815.95	1,073,266.74	1,023,592.54	987,919.66	998,345.38
Plant Operations and Maintenance	551,338.91	512,587.35	413,046.64	374,155.53	466,974.97	410,456.60
Pupil Transportation	16,472,428.07	13,913,002.38	14,151,852.63	13,552,478.97	11,678,344.26	11,503,596.22
Interest on Long-Term Debt				-	-	-
Total Governmental Activities Expenses	24,591,765.72	21,743,837.43	21,277,108.50	20,436,913.12	18,480,187.62	18,363,001.57
Business-Type Activities:						
Food Service	75,326.79	75,600.41	83,655.83	75,772.49	77,337.88	74,763.40
Regional Day School	4,624,511.40	4,072,973.10	3,873,196.84	3,439,172.61	3,755,257.21	3,033,230.79
Adult School						25,246.00
Transportation Leasing	1,050,454.01	1,200,454.39	743,742.31	-	-	-
Child Care				114,266.62	133,110.70	122,824.46
Total Business-Type Activities Expense	5,750,292.20	5,349,027.90	4,700,594.98	3,629,211.72	3,965,705.79	3,256,064.65
Total District-Wide Expenses	30,342,057.92	27,092,865.33	25,977,703.48	24,066,124.84	22,445,893.41	21,619,066.22
Program Revenues						
Governmental Activities:						
Charges for Services:						
Pupil Transportation	15,332,647.89	15,678,527.20	14,295,086.91	13,458,727.64	11,659,250.88	11,213,635.46
Operating Grants and Contributions	2,912,443.56	2,687,031.86	2,295,066.94	2,147,218.20	2,094,751.51	2,168,835.90
Total Governmental Activities Program Revenues	18,245,091.45	18,365,559.06	16,590,153.85	15,605,945.84	13,754,002.39	13,382,471.36

**BOARD OF EDUCATION
THE EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY**

**Changes in Net Assets
Last Six Fiscal Years
(accrual basis of accounting)
Unaudited**

	Fiscal Year Ending June 30,				
	2008	2007	2006	2005	2004
Business-Type Activities:					
Charges for Services	\$ 15,077.87	\$ 16,159.17	\$ 14,148.87	\$ 12,981.86	\$ 14,620.38
Food Service	4,739,277.75	4,264,265.89	3,768,307.55	3,384,335.33	3,040,900.67
Regional Day School	1,135,094.68	706,636.15	401,631.18	-	-
Transportation Leasing	-	-	-	118,594.76	104,198.18
Adult School	-	-	-	-	24,339.43
Child Care	-	-	-	-	122,695.79
Operating Grants and Contributions	-	1,522.50	10,825.79	11,244.65	11,929.74
Food Service	-	-	-	-	12,091.36
Regional Day School	-	-	-	-	20,770.88
Total Business-Type Activities Program Revenues	5,889,450.30	4,988,583.71	4,194,913.39	3,527,156.60	3,171,648.97
Total District-Wide Program Revenues	24,134,541.75	23,354,142.77	20,785,067.24	19,133,102.44	16,925,651.36
Net (Expense)/Revenue	(6,346,674.27)	(3,378,278.37)	(4,686,954.65)	(4,830,967.28)	(4,726,185.23)
Governmental Activities	139,158.10	(360,444.19)	(505,681.59)	(102,055.12)	(794,056.82)
Business-Type Activities	(6,207,516.17)	(3,738,722.56)	(5,192,636.24)	(4,933,022.40)	(5,520,242.05)
Total District-Wide Net Expense	(6,068,358.07)	(4,139,212.96)	(5,698,638.84)	(5,035,077.60)	(6,314,300.88)
General Revenues and Other Changes in Net Assets					
Governmental Activities:					
Local Government Units	1,174,292.67	1,034,475.53	1,363,955.01	1,363,955.01	2,682,074.30
Tuition (other than special schools)	4,239,114.23	4,074,371.22	3,950,713.14	4,470,574.25	3,462,914.76
Investment Earnings	86,458.68	103,918.48	135,120.65	107,986.75	19,317.23
Miscellaneous Income	25,200.98	60,810.79	174,328.87	91,573.78	102,756.50
Transfers	(18,248.83)	(556,673.46)	(99,501.43)	(150,151.29)	(162,752.21)
Total Governmental Activities	5,506,817.73	4,716,902.56	5,524,616.24	5,883,918.50	6,104,310.58
Business-Type Activities:					
Investment Earnings	8,983.75	16,015.58	57,566.10	4,564.94	-
Miscellaneous Income	109,870.65	107,352.00	114,861.71	36,035.25	17,353.80
Transfers	18,248.83	391,819.29	42,790.70	20,463.91	17,353.80
Total Business-Type Activities	137,103.23	515,186.87	215,218.51	61,064.10	17,353.80
Total District-Wide General Revenues	5,643,920.96	5,232,089.43	5,739,834.75	5,944,982.60	6,121,664.38
Change in Net Assets	(839,856.54)	1,338,624.19	837,661.59	1,052,951.22	1,378,125.35
Governmental Activities	276,261.33	154,742.68	(290,463.08)	(40,991.02)	(776,703.02)
Business-Type Activities	(563,595.21)	\$ 1,493,366.87	\$ 547,198.51	\$ 1,011,960.20	\$ 601,422.33
Total District-Wide Change in Net Assets					

Source: District Records

**BOARD OF EDUCATION
THE EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY**

**Fund Balances - Governmental Funds,
Last Six Fiscal Years
(modified accrual basis of accounting)
Unaudited**

	Fiscal Year Ending June 30,				
	2008	2007	2006	2005	2004
					2003
General Fund					
Reserved	\$ 12,750.00	\$ 1,393,741.53	\$ 1,796.46	\$ -	\$ -
Unreserved	2,548,303.82	2,304,694.07	2,698,707.56	2,190,643.21	1,364,350.72
Total General Fund	<u>\$ 2,561,053.82</u>	<u>\$ 3,698,435.60</u>	<u>\$ 2,700,504.02</u>	<u>\$ 2,190,643.21</u>	<u>\$ 1,364,350.72</u>
All Other Governmental Funds					
Reserved	\$ 569,583.46	\$ 552,187.73	\$ 526,594.78	\$ 579,787.96	\$ 695,792.95
Unreserved, Reported In:					
Special Revenue Fund	379.17	157,179.34	258,142.77	2,389,502.66	2,994,504.97
Capital Projects Fund	<u>\$ 569,962.63</u>	<u>\$ 709,367.07</u>	<u>\$ 784,737.55</u>	<u>\$ 2,969,290.62</u>	<u>\$ 3,690,297.92</u>
Total All Other Governmental Funds					
Total Fund Balances	<u>\$ 3,131,016.45</u>	<u>\$ 4,407,802.67</u>	<u>\$ 3,485,241.57</u>	<u>\$ 5,159,933.83</u>	<u>\$ 5,054,648.64</u>
					<u>\$ 300,304.28</u>

Source: District Records

BOARD OF EDUCATION
THE EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY

Changes in Fund Balances - Governmental Funds,
Last Six Fiscal Years
(modified accrual basis of accounting)
Unaudited

	Fiscal Year Ending June 30,				
	2008	2007	2006	2005	2004
	2003				
Revenues					
Local Government Units	\$ 1,174,292.67	\$ 1,034,475.53	\$ 1,363,955.01	\$ 1,363,955.01	\$ 2,682,074.30
Tuition Charges	4,239,114.23	4,074,371.22	3,950,713.14	4,470,574.25	3,462,914.76
Transportation Fees	15,332,647.89	15,678,527.2	14,295,086.91	13,458,727.64	11,659,250.88
Interest Earnings	86,458.68	103,918.48	135,120.65	107,966.75	19,317.23
Miscellaneous	25,200.98	60,810.79	174,328.87	91,573.78	102,756.50
State Sources	2,783,499.56	2,589,337.27	2,249,346.37	2,116,117.16	2,036,172.31
Federal Sources	128,944.00	97,743.77	45,720.57	31,101.04	58,579.20
Total Revenues	23,770,158.01	23,639,184.26	22,214,271.52	21,640,015.63	20,021,065.18
					\$ 1,839,433.64
					3,261,109.10
					11,213,635.46
					14,709.01
					23,339.23
					2,069,856.56
					98,979.34
					18,521,062.34
Expenditures					
Instruction					
Regular Instruction	251,524.18	293,493.61	235,361.73	261,927.59	246,549.79
Special Education Instruction	1,903,608.59	1,643,194.02	1,489,195.64	1,644,005.48	1,468,944.88
Other Instruction	-	-	-	-	12,957.44
Support Services:					
Tuition	8,130.00	6,530.00	3,032.00	8,458.00	1,850.00
Student and Instruction Related Services	2,163,447.07	2,150,152.93	2,321,304.34	2,160,351.53	2,191,200.66
School Administrative Services	315,925.86	326,678.23	278,795.93	365,548.16	287,408.74
General and Business Administrative Services	948,664.65	993,341.19	850,381.59	869,510.81	857,439.26
Plant Operations and Maintenance	522,180.63	483,666.55	384,595.26	277,259.67	379,653.35
Pupil Transportation	16,419,769.08	13,860,772.26	14,075,781.27	13,505,238.57	11,623,160.95
Employee Benefits	1,998,953.55	1,955,442.51	1,555,680.08	1,264,715.30	1,357,144.67
Capital Outlay	496,491.79	446,678.40	2,595,334.51	1,027,564.04	587,658.87
Total Expenditures	25,028,695.40	22,159,949.70	23,789,462.35	21,384,579.15	19,013,968.61
					1,007,096.57
Excess (Deficiency) of Revenues	(1,258,537.39)	1,479,234.56	(1,575,190.83)	255,436.48	4,127.53
Over (Under) Expenditures					

**BOARD OF EDUCATION
THE EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY**

**Changes in Fund Balances - Governmental Funds,
Last Six Fiscal Years
(modified accrual basis of accounting)
Unaudited**

	Fiscal Year Ending June 30,				
	2008	2007	2006	2005	2004
Other Financing Sources (Uses)					
Proceeds From Borrowing	\$ -	\$ -	\$ -	\$ -	\$ 4,940,000.00
Payments to Escrow Agent					(1,030,000.00)
Transfers In	9,122.34	11,359.04	38,765.51	71,865.91	134,905.61
Transfers Out	(27,371.17)	(568,032.50)	(138,266.94)	(222,017.20)	(297,657.82)
Total Other Financing Sources (Uses)	(18,248.83)	(556,673.46)	(99,501.43)	(150,151.29)	3,747,247.79
Net Change in Fund Balances	\$ (1,276,786.22)	\$ 922,561.10	\$ (1,674,692.26)	\$ 105,285.19	\$ 4,754,344.36
Debt Service as a Percentage of Noncapital Expenditures	N/A	N/A	N/A	N/A	N/A
					\$ (15,296.48)

Source: District Records

**BOARD OF EDUCATION
THE EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY**

**General Fund - Other Local Revenue by Source
Last Ten Fiscal Years
(modified accrual basis of accounting)
Unaudited**

<u>Fiscal Year Ended June 30,</u>	<u>Total</u>	<u>Interest</u>	<u>Refunds</u>
1999	\$ 64,734.64	\$41,262.89	\$ 23,471.75
2000	78,745.14	47,747.63	30,997.51
2001	82,589.29	48,917.65	33,671.64
2002	95,243.98	27,766.18	67,477.80
2003	37,622.72	14,283.49	23,339.23
2004	89,349.37	10,972.52	78,376.85
2005	136,616.13	45,042.35	91,573.78
2006	259,889.08	85,560.21	174,328.87
2007	127,777.28	66,966.49	60,810.79
2008	85,141.59	59,940.61	25,200.98

Source: District Records

**BOARD OF EDUCATION
THE EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY**

**Assessed Value and Estimated Actual Value of Taxable Property,
Last Ten Fiscal Years
Unaudited**

NOT APPLICABLE

**BOARD OF EDUCATION
THE EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY**

**Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years
(rate per \$100 of assessed value)
Unaudited**

NOT APPLICABLE

**BOARD OF EDUCATION
THE EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY**

**Principal Property Taxpayers
Current Year and Nine Years Ago
Unaudited**

NOT APPLICABLE

**BOARD OF EDUCATION
THE EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY**

**Property Tax Levies and Collections
Last Ten Fiscal Years
Unaudited**

NOT APPLICABLE

**BOARD OF EDUCATION
THE EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY**

**Ratios of Outstanding Debt by Type
Last Ten Fiscal Years
Unaudited**

NOT APPLICABLE

**BOARD OF EDUCATION
THE EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY**

**Ratios of Net General Bonded Debt Outstanding
Last Ten Fiscal Years
Unaudited**

NOT APPLICABLE

**BOARD OF EDUCATION
THE EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY**

**Direct and Overlapping Governmental Activities Debt
As of December 31,2007
Unaudited**

NOT APPLICABLE

**BOARD OF EDUCATION
THE EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY**

**Legal Debt Margin Information
Last Ten Fiscal Years
Unaudited**

NOT APPLICABLE

**BOARD OF EDUCATION
THE EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY**

**Demographic and Economic Statistics
Last Ten Fiscal Years
Unaudited**

MORRIS COUNTY

<u>Year</u>	<u>Per Capita Personal Income</u>	<u>Unemployment Rate</u>
1998	\$ 47,975.00	1.9%
1999	49,647	2.8%
2000	56,163	2.3%
2001	56,475	3.9%
2002	55,113	4.4%
2003	55,796	4.0%
2004	60,823	3.5%
2005	63,605	5.5%
2006	67,788	3.3%
2007	(Est.) 67,788	3.0%

**BOARD OF EDUCATION
THE EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY**

**Principal Employers
Current Year and Nine Years Ago
Unaudited**

NOT APPLICABLE

**BOARD OF EDUCATION
THE EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY
Full-time Equivalent District Employees by Function/Program
Last Ten Fiscal Years
Unaudited**

<u>Function/Program</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Instruction	2	2	3	4	4	4	4	4	4	4
Regular	40	40	45	49	91	91	90	92	93	86
Special Education										
Support Services:										
Student and Instruction Related Services	2	2	2	2	4	4	4	4	4	5
School Administrative Services	2	2	2	2	4	4	4	4	4	5
General and Business Administrative Services	4	4	4	4	4	4	4	4	4	5
Plant Operations and Maintenance	2	2	2	2	2	2	2	2	2	2
Pupil Transportation	3	3	3	3	3	3	3	8	8	12
Total	<u>55</u>	<u>55</u>	<u>61</u>	<u>66</u>	<u>112</u>	<u>112</u>	<u>111</u>	<u>118</u>	<u>119</u>	<u>119</u>

Source: District Personnel Records

**BOARD OF EDUCATION
THE EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY**

**Operating Statistics
Last Ten Fiscal Years
Unaudited**

Fiscal Year	Enrollment	Operating Expenditures	Cost Per Pupil	Percentage Change	Teaching Staff	Pupil/Teacher Ratio	Average Daily Enrollment (ADE)	Average Daily Attendance (ADA)	% Change in Average Daily Enrollment	Student Attendance Percentage
1999	95.0	\$ 2,793,430.01	\$ 29,404.53	39.85%	61	1.6	95.8	81.1	-19.02%	84.66%
2000	70.0	2,250,563.89	32,150.91	9.34%	50	1.4	70.0	62.9	-26.93%	89.86%
2001	57.0	2,349,821.02	41,224.93	28.22%	45	1.3	55.4	51.7	-20.86%	93.32%
2002	62.0	2,510,698.93	40,495.14	-1.77%	101	0.6	60.5	56.9	9.21%	94.05%
2003	134.0	5,645,511.06	42,130.68	4.04%	101	1.3	146.7	132.0	142.48%	89.98%
2004	140.0	6,741,135.48	48,150.97	14.29%	99	1.4	136.7	126.3	-6.82%	92.39%
2005	146.0	6,568,246.02	44,987.99	-6.57%	98	1.5	143.9	132.1	5.27%	91.80%
2006	156.0	7,070,609.79	45,324.42	0.75%	98	1.6	135.9	125.0	-5.56%	91.98%
2007	144.0	7,688,754.11	53,394.13	17.80%	99	1.5	139.5	127.6	2.65%	91.47%
2008	142.1	8,334,341.60	58,651.24	9.85%	90	1.6	142.1	129.2	1.86%	90.92%

Source: District Records

Note: Enrollment based on annual October district count and Regional Day students starting with fiscal year 2003.

**BOARD OF EDUCATION
THE EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY**

**School Building Information
Last Ten Fiscal Years
Unaudited**

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
<u>Commission Buildings</u>										
<u>Park Lake School</u>										
Square Feet	14,190	14,190	14,190	14,190	14,190	14,190	14,190	14,190	14,190	14,190
Capacity (students)	110	110	110	110	110	110	110	110	110	110
Enrollment	95	70	59	60	76	71	86	88	73	71
<u>Regional Day School</u>										
Square Feet	N/A	N/A	N/A	21,590	21,590	21,590	21,590	21,590	21,590	21,590
Capacity (students)	N/A	N/A	N/A	100	100	100	100	100	100	100
Enrollment	N/A	N/A	N/A	75	74	64	60	68	71	71

Number of Schools at June 30, 2008
Special Education School = 2

Source: District Facilities Office

**BOARD OF EDUCATION
THE EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY**

**General Fund
Schedule of Required Maintenance for School Facilities
Last Ten Fiscal Years
Unaudited**

NOT APPLICABLE

**BOARD OF EDUCATION
THE EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY**

**Insurance Schedule
As of June 30, 2008
Unaudited**

A) Property Policy

\$ 400,600,000	- Blanket, Buildings, Contents
\$ 5,000,000	- Business Interruption/Extra Expense
Sub-Limits:	
\$ 5,000,000	- Earthquake (Annual Aggregate)
	- Flood Categories:
\$ 1,000,000	Flood Zone A - \$500,000 Deductible
\$ 2,000,000	Flood Zone B - \$100,000 Deductible
\$ 5,000,000	Flood Zone C - \$50,000 Deductible
\$ 250,000	- Debris Removal
\$ 100,000	- Pollutants Clean Up and Removal

B) Boilers & Machinery Policy:

\$ 100,000,000

C) Inland Marine Floater

\$ 5,000,000	- Valuable Papers
\$ 2,500,000	- Electronic Data Processing Equipment
\$ 50,000	- Per Occurrence Fine Arts Floater
\$ 5,000,000	- Equipment Floater
\$ 100,000	- Musical Instruments
\$ 250,000	- Miscellaneous

D) Liability

\$ 1,000,000	- Automobile
\$ 1,000,000 /\$2,000,000	- General
\$ 1,000,000	- Employee Benefit
\$ 9,000,000	- Umbrella
\$ 50,000,000	- Excess

E) Crime

\$ 250,000	- Blanket Employee Dishonesty
------------	-------------------------------

F) School Board Legal Liability

\$ 1,000,000

Source: District records.

SINGLE AUDIT SECTION

Vincent M. Montanino, RMA, PSA
Michael S. Zambito, CPA, RMA
Antonia Russo, Associate

K-1
Sheet 1

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH
"GOVERNMENT AUDITING STANDARDS"

The Honorable President
Members of the Board of Education
The Educational Services Commission of Morris County
County of Morris, New Jersey

We have audited the basic financial statements of the Educational Services Commission of Morris County as of and for the year ended June 30, 2008, and have issued our report thereon dated December 23, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States; and in compliance with audit requirements prescribed by the Division of Finance, Department of Education, State of New Jersey.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Educational Services Commission of Morris County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Educational Services Commission of Morris County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Educational Services Commission of Morris County's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the Educational Services Commission of Morris County's internal control.

111 Howard Boulevard
Suite 212
P.O. Box 397
Mt. Arlington, NJ 07856
Phone: 973-770-5491
Fax: 973-770-5494
vm_associates@msn.com

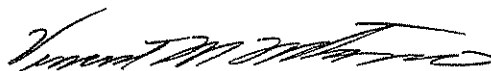
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Educational Services Commission of Morris County's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Educational Services Commission of Morris County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey.

This report is intended solely for the information and use of the audit committee, management, the Educational Services Commission of Morris County, the New Jersey State Department of Education and other state and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Vincent M. Montanino
Public School Accountant
License No. CS000495



Michael S. Zambito
Certified Public Accountant
License No. 20CC00789500

December 23, 2008

Vincent M. Montanino, RMA, PSA
Michael S. Zambito, CPA, RMA
Antonia Russo, Associate

K-2
Sheet 1

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO
EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133 AND
NEW JERSEY OMB CIRCULAR LETTER 04-04

The Honorable President
Members of the Board of Education
The Educational Services Commission of Morris County
County of Morris, New Jersey

Compliance

We have audited the compliance of the Educational Services Commission of Morris County with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement and the New Jersey Compliance Manual State Grants Compliance Supplement that are applicable to each of its major state programs for the year ended June 30, 2008. Educational Services Commission of Morris County major state programs are identified in the Summary of Auditor's Results Section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major state programs is the responsibility of the Educational Services Commission of Morris County's management. Our responsibility is to express an opinion on Educational Services Commission of Morris County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States; the audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey; OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations; and New Jersey Office of Management and Budget Circular Letter 04-04 Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid. Those standards, OMB Circular A-133 and New Jersey's OMB's Circular Letter 04-04 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the Educational Services Commission of Morris County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Educational Services Commission of Morris County's compliance with those requirements.

111 Howard Boulevard
Suite 212
P.O. Box 397
Mt. Arlington, NJ 07856
Phone: 973-770-5491
Fax: 973-770-5494
vm_associates@msn.com

In our opinion, the Board of Education of the Educational Services Commission of Morris County, in the County of Morris, State of New Jersey, complied, in all material respects, with the requirements referred to above that are applicable to each of its major state programs for the year ended June 30, 2008.

Internal Control Over Compliance


The management of the Educational Services Commission of Morris County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to state programs. In planning and performing our audit, we considered Educational Services Commission of Morris County's internal control over compliance with requirements that could have a direct and material effect on a major state program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of the Educational Services Commission of Morris County's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Educational Services Commission of Morris County's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a state program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a state program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a state program that is more than inconsequential will not be prevented or detected by the entity's internal control.

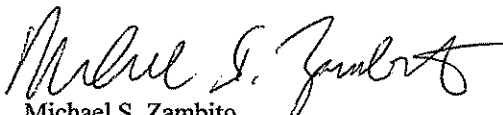
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material noncompliance with a type of compliance requirement of a state program will not be prevented or detected by the Educational Services Commission of Morris County's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the audit committee, management, the Educational Services Commission of Morris County, the New Jersey State Department of Education and other state and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.



Vincent M. Montanino
Public School Accountant
License No. CS000495



Michael S. Zambito
Certified Public Accountant
License No. 20CC00789500

December 23, 2008

BOARD OF EDUCATION
THE EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY
Schedule of Expenditures of State Financial Assistance, Schedule B
For the Fiscal Year Ended June 30, 2008

State Grant/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance July 1, 2007	Adjustments	Cash Received	BUDGETARY EXPENDITURES			Repayment of Prior Years' Balances	Accounts Receivable	Balance June 30, 2008 Due to Deferred Revenue Grantor
							Disbursements	Accounts Payable	Encumbrances			
State Department of Education:												
General Funds:												
Reimbursed TPAF Social Security Contribution	07-100-034-5095-050	7/1/06-6/30/07	\$326,881.53	\$(15,416.00)	\$ -	\$ 15,416.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Reimbursed TPAF Social Security Contribution	08-100-034-5095-050	7/1/07-6/30/08	\$342,462.11	-	-	326,067.13	342,462.11	-	-	-	(16,394.98)	-
On-Behalf TPAF Pension Contributions	08-100-034-5095-051	7/1/07-6/30/08	413,401.00	-	-	413,401.00	413,401.00	-	-	-	-	-
Total General Funds				<u>(15,416.00)</u>		<u>754,884.13</u>	<u>755,863.11</u>				<u>(16,394.98)</u>	
Special Revenue Funds:												
New Jersey Nonpublic Aid:	08-100-034-5120-064	7/1/07-6/30/08	175,092.31			175,092.31	175,092.31				-	-
Textbook Aid												
Auxiliary Services:												
Compensatory Education	08-100-034-5120-067	7/1/07-6/30/08	267,463.98			267,463.98	267,463.98				-	-
English as a Second Language	08-100-034-5120-067	7/1/07-6/30/08	8,424.50			8,424.50	8,424.50				-	-
Home Instruction	08-100-034-5120-067	7/1/07-6/30/08	1,910.23			1,910.23	1,910.23				-	-
Transportation	08-100-034-5120-068	7/1/07-6/30/08	1,073.00			1,073.00	1,073.00				-	-
Handicapped Services:												
Examination and Classification	08-100-034-5120-066	7/1/07-6/30/08	384,672.28			384,672.28	384,672.28				-	-
Corrective Speech	08-100-034-5120-066	7/1/07-6/30/08	189,813.00			189,813.00	189,813.00				-	-
Supplementary Instruction	08-100-034-5120-066	7/1/07-6/30/08	176,351.00			176,351.00	176,351.00				-	-
Nursing Services	08-100-034-5120-070	7/1/07-6/30/08	560,008.00			560,008.00	560,008.00				-	-
Technology Initiative	08-100-034-5120-373	7/1/07-6/30/08	262,828.15			262,828.15	262,828.15				-	-
Total Special Revenue Funds						<u>2,027,636.45</u>	<u>2,027,636.45</u>				<u>-</u>	<u>-</u>
Total All Funds				<u>\$(15,416.00)</u>	<u>\$ -</u>	<u>\$2,782,520.58</u>	<u>\$2,783,499.56</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$(16,394.98)</u>	<u>\$ -</u>

The accompanying Notes to Basic Financial Statements are an integral part of this statement.

BOARD OF EDUCATION
THE EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY

NOTES TO SCHEDULES OF EXPENDITURES OF AWARDS AND FINANCIAL ASSISTANCE
YEAR ENDED JUNE 30, 2008

Note 1: General

The accompanying schedules of expenditures of awards and financial assistance present the activity of all federal and state programs of the Educational Services Commission of Morris County Board of Education. The Board of Education is defined in Note I:B. to the Board's basic financial statements. All federal awards and state financial assistance received directly from federal and state agencies, as well as federal awards and state financial assistance passed through other government agencies is included on the schedule of expenditures of federal awards and state financial assistance.

Note 2: Basis of Accounting

The accompanying schedules of expenditures of awards and financial assistance are presented using the budgetary basis of accounting with the exception of programs recorded in the food service fund, which are presented using the accrual basis of accounting. These bases of accounting are described in Notes I:E and Note I:F. to the Board's basic financial statements. The information in the schedules is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in the schedules may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 3: Relationship to Basic Financial Statements

The basic financial statements present the general fund and special revenue fund on a GAAP basis. Budgetary comparison statements or schedules are presented for the general fund and special revenue fund to demonstrate finance-related legal compliance in which certain revenue is permitted by law or grant agreement to be recognized in the audit year, whereas for GAAP reporting, revenue is not recognized until the subsequent year or when expenditures have been made.

The general fund is presented in the accompanying schedules on the modified accrual basis with the exception of the revenue recognition of the last state aid payment in the current budget year, which is mandated pursuant to N.J.S.A. 18A:22-44.2. For GAAP purposes, that payment is not recognized until the subsequent year due to the state deferral and recording of the last state aid payment in the subsequent year. The special revenue fund is presented in the accompanying schedules on the grant accounting budgetary basis which recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not. The special revenue fund also recognizes the last state aid payment in the current budget year, consistent with N.J.S.A. 18A:22-44.2.

BOARD OF EDUCATION
THE EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY

NOTES TO SCHEDULES OF EXPENDITURES OF AWARDS AND FINANCIAL ASSISTANCE
YEAR ENDED JUNE 30, 2008
(CONCLUDED)

Note 3: Relationship to Basic Financial Statements (Continued)

The net adjustment to reconcile from the budgetary basis to the GAAP basis is \$-0- for the general revenue fund and \$-0- for the special revenue fund. See the Notes to Required Supplementary Information for a reconciliation of the budgetary basis to the GAAP basis of accounting for the general and special revenue funds. Awards and financial assistance revenues are reported in the Board's basic financial statements on a GAAP basis as follows:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$	\$ 755,863.11	\$ 755,863.11
Special Revenue Fund	<u>128,944.00</u>	<u>2,027,636.45</u>	<u>2,156,580.45</u>
Total Awards and Financial Assistance	<u>\$128,944.00</u>	<u>\$2,783,499.56</u>	<u>\$2,912,443.56</u>

Note 4: Relationship to Federal and State Financial Reports

Amounts reported in the accompanying schedules agree with the amounts reported in the related federal and state financial reports.

Note 5: Other

The amount reported as TPAF Pension Contributions represents the amount paid by the state on behalf of the district for post-retirement medical benefits for the year ended June 30, 2008. TPAF Social Security Contributions represents the amount reimbursed by the state for the employer's share of social security contributions for TPAF members for the year ended June 30, 2008.

BOARD OF EDUCATION
THE EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008

Part I -- Summary of Auditor's Results

Financial Statement Section

- A) Type of auditor's report issued: Unqualified
- B) Internal Control over financial reporting:
- 1) Material weakness(es) identified? _____yes X no
- 2) Were significant deficiencies identified
 that were not considered to be material
 weaknesses? _____yes X no
- C) Noncompliance material to basic
 financial statements noted? _____yes X no

Federal Awards Section

Not Applicable

BOARD OF EDUCATION
THE EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008
(CONTINUED)

Part 2 – Schedule of Financial Statement Findings

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the basic financial statements that are required to be reported in accordance with Chapter 5.18 of Government Auditing Standards.

Not Applicable

BOARD OF EDUCATION
THE EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008
(CONTINUED)

Part 3 – Schedule of Federal Awards and State Financial Assistance Findings and Questioned Costs

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs, related to the audit of major federal and state programs, as required by OMB Circular A-133 and New Jersey OMB's Circular 04-04.

Not Applicable

BOARD OF EDUCATION
THE EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY

SUMMARY SCHEDULE OF PRIOR-YEAR AUDIT FINDINGS
AND QUESTIONED COSTS AS PREPARED BY MANAGEMENT
FOR THE YEAR ENDED JUNE 30, 2008

This section identifies the status of prior-year findings related to the basic financial statements and federal and state awards that are required to be reported in accordance with Chapter 6.12 of Government Auditing Standards, U.S. OMB Circular A-133 (section .315 (a) (b)) and New Jersey OMB's Circular 04-04.

Not Applicable